

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

6 NOVEMBER 2017

STRATEGIC DIRECTOR OF FINANCE, GOVERNANCE & SUPPORT – JAMES BROMILY

REVIEW OF CUSTOMER SERVICES

1. PURPOSE OF THE REPORT

- 1.1 To inform the Members of the Teesside Pension Board (the Board) of proposals to enhance the customer services provided to both members and employers of the Teesside Pension Fund.

2. RECOMMENDATIONS

- 2.1 That Members note the contents of the paper and agree that it is taken forward to the Pension Committee.

3. FINANCIAL IMPLICATIONS

- 3.1 There will be financial implications with the costs of additional staff required for the proposals, and for the redesign and enhancement to the Teesside Pension Fund website. These will be costed and agreed through the Kier Partnership Board and the Teesside Pension Fund Committee, and reported back to the Board.

4. BACKGROUND

- 4.1 In line with the council's customer service improvement strategy this report analyses the work carried out by Kier for the provision of administration services to the Teesside Pension Fund and suggest changes to the service undertaken in order to provide an enhanced service. The paper takes an initial look at those factors that have changed since the partnership started in 2001, how the pricing for the services have changed and suggest various changes that are needed to make the service fit for purpose.

5. ANALYSIS OF THE TEESSIDE PENSION FUND

- 5.1 During the period of the partnership the size of the membership administered by Kier has risen by 65%:

	2016/17	2000/01	
Actives	23,086	23,292	(0.9)%
Deferred	25,223	5,312	374%
Pensioners	21,617	13,730	57%
	69,912	42,334	65%

Table 1: Scheme membership

- 5.2 Additionally, and more importantly, the number of scheme employers has increased. From 2001 to 2008 this number was reasonably static. Since 2009 the number has risen substantially as shown in the table below:

	2017	2009	
Number of Contributing¹ Employers	154	45	242%
Total Number of Employers	228	119	92%

Table 2: Employer membership

6. SERVICE LEVEL AGREEMENTS

- 6.1 Not many LGPS Funds have service level agreements in place and therefore have no method for measuring how effective their service is. The Teesside Fund has Service Level Agreements embedded in the contract and Kier's delivery of the KPR's has shown excellent performance since the contract started with no financial penalties imposed for failing to achieve a KPR; a period of 16 years.
- 6.2 During the period of the contract the performance requirements have been steadily increased from a minimum performance level of 95% of requirement up to a current minimum of 98%. In reality when measuring the performance against required percentages the majority of the required tasks are achieving 100%. For example, the number of retirement lump sums paid within 6 days of leaving:

$$\text{KPR requirement} = 98\% / \text{Actual performance} = 100\%.$$

¹ A contributing employer is one who has active scheme members accruing benefits in the pension scheme. Non-contributing employers are those who have no active scheme members but there are still deferred or pensioner members attributable to that employer. For example Cleveland County Council still has some deferred or pensioner members but no active members.

6.3 In addition, the following services have been provided by Kier but were not part of their contract with the Middlesbrough Council, as Administering Authority for the Teesside Pension Fund:

- Introduction of the new tax requirements in 2006
- Individual letters to high earners warning of possible tax consequences (When this was introduced we originally sent out 100 letters. With the changes in tax allowances this year we expect to be sending out over 4,000)
- Introduction of the new Local Government Pension Scheme in 2008
- Introduction of the new LGPS 2014 scheme and the change to Career Average Revalued Earnings (CARE)
- Dealing with increased letters, email and telephone phone queries associated with all of the above (e.g. telephone calls in 2006 = 6,500, in 2016/17 = 12,000)
- Introduction and maintenance of the pension fund member's web site
- Introduction and maintenance of the scheme employers web site
- Employer Liaison Seminars
- Guidance to the administering authority regarding actuarial valuations
- Enhanced mortality screening through our ATMOS contract – greatly reducing risk to the fund and adding additional security
- Increase in the number of contributing scheme employers by 242% with a 92% increase overall
- The introduction of academies leading to an increased requirement for advice and guidance to an ever growing number of academy schools (and those investigating academy status).
- Multiple estimates for scheme members rather than one a year as contractually required.
- We have written and regularly update the following employer guides-
 - Employer handbook - specifically created for HR and payroll officers with LGPS duties
 - Ill health benefits – this guide takes employers through the ill health process and includes a full suite of letters for their own use
 - IDRPs guide - aimed at employers and those appointed to hear stage 1 appeals (again including full suite of letters)
- Employer training workshops
- Pensionable pay including employer manual, also developed pensionable pay calculators for employers to use.
- Employer discretions policy training and guide
- Specialist briefing notes

- Employer newsletters and specialised bulletins e.g. fundamentals, auto enrolment, etc.
- Attendance and reporting into the Teesside Pension Board.
- Employer Covenant Monitoring

6.4 There are also the below additional services which have been added to meet the Government's eAgenda and fulfil the Council's vision of the future:

- Scheme member self service
- Employer online internet service

7. MOVING FORWARD

7.1 The introduction of the new Career Average Local Government Pension Scheme in 2013 added additional complexity to an already overly complex pension arrangement. The linking of the pre-2014 service to final salary at date of leaving means that in effect the majority of scheme members are in two pension schemes. This will continue for many years to come as only new entrants will be solely in the 2013 scheme.

7.2 Scheme members' queries are taking longer to answer as the complexities of the joint schemes have led to more complex and difficult queries. This has placed additional workload on staff and resources have had to be shifted to member queries away from employer liaison.

7.3 This lack of focus on employers has been exacerbated by the number of employers increasing from under 50 in 2001 to over 228 in 2017 with more employers joining all the time as schools convert to academies and academies outsource some of their non-teaching functions.

7.4 The situation is such that scheme employers need more help to understand the requirements of the scheme and the administrators and to be able to supply the correct information to Kier.

7.6 In order to alleviate the resource issues Kier would like to make the following changes to the Local Government Pensions Team responsible for administering the Teesside Pension Fund:

7.6.1 Introduce an Employer Liaison Team

Responsible for working with employers to ensure that data is passed to the administrator in the most efficient way and that it is correct and in the required format. Introduce formal links with all scheme employers to ensure that they are sufficiently aware of their responsibilities under the Public Sector Pensions Schemes Act, the Pension Schemes Act, the Local Government Pension Scheme Regulations and all other overriding or associated legislation. Most importantly this team will also provide advice and guidance to aid employers comply with those requirements.

Kier originally had such a team whose members, because of the massive increases in workload incurred over the life of the contract, it was transferred to scheme member related functions.

7.6.2 Increase the size of the systems support team

This will allow monthly contribution posting which improves data quality, ensuring members can obtain accurate estimates of benefits. Employers will be able to deal with current queries rather than having to solve old problems only highlighted once the annual year end returns are submitted. This will also ensure that the requirements of the new General Data Protection Regulation are met, as will the more rigorous requirements of the Pensions Regulator.

7.6.3 Introduce a Communications Manager and Communication Team

Intended to focus solely on communication both with scheme members and employers. This team will be responsible for all communications media including web content and social media. The focus will be on clarity and ease of understanding for scheme members in an ever more complex environment.

7.6.4 Formalise the employer covenant monitoring function

The current employer covenant monitoring function is undertaken only occasionally, normally when an existing employer undergoes some change within their organisation. An initial check is undertaken when an employer applies to become a contributing employer and bonds are reviewed every 5 years.

We would like to formalise the process, undertake a fundamental review of the current policies and introduce a covenant review strategy that is fit for purpose and ensures the protection of the fund.

7.7 These proposals will include the following improvements:

- Completely new Member Self Service with enhanced facilities
- Redesign and enhance Teesside Pension Fund website
- Monthly posting of employee contributions allowing more accurate estimates and improving data quality
- Improved data cleansing to meet the Pension Regulator and GDPR (new data protection) requirements
- Enhanced employer liaison and training especially for academies and those converting to academies
- Improvement of communication channels between Employers and the Administrator

8. NEXT STEPS

8.1 It is proposed that Kier pension staff engage with MBCs senior pension staff to discuss the proposed enhancements further with a view to making changes to the Kier contract/SLA to reflect the additional work carried out.

8.2 As part of this process it is proposed that a cost/benefit analysis is produced for scrutiny by MBCs senior pension staff and procurement staff. Once scrutinised and agreed, this will be reported back to the Board and the changes will be taken

through the Kier Partnership Board and the Teesside Pension Fund Committee with a request for the additional funding needed to make the changes, and changes to the Kier contract/SLA.

- 8.3 Assistance will be provided in the first instance to MBC pension staff and MBCs Procurement Section to improve transparency of the work of Kier Pension Unit, and receive and review performance reports against the updated contract/SLA.

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