

Immediate Payments Update

Purpose of the Report

1. To update the Board on the impact to the Fund of immediate payments and payroll to scheme members following the Council's migration of service from SAP to Oracle.

Background

2. On Monday 13 November the Council formally began to migrate its live SAP service to its new Oracle software platform. The phased transfer of services to the new platform included an administration blackout period of 3 working weeks prior to 13 November to enable readiness for the migration and allow a clean and stable data strategy from day one. Part of this phased transfer included the Pension Fund's immediate payments arrangements.
3. For information, the Fund's immediate payments arrangements include its ability to pay retirement tax free cash sums, refunds, cash equivalent transfer values & death grants for the benefit of the Fund's membership, as those liabilities fall due.
4. In preparing for this transition the Fund communicated with relevant members, likely to be impacted, that there would be a delay in the payment of their benefits, notably during the administration blackout period, this communication allowed some contingency if there were further delays to manage the members expectations. Whilst such a delay was accepted by the majority of members, Fund officers did experience an upturn in complaints from members unhappy with an enforced delay.
5. Additionally, in preparation for the transition Fund officers also sought to liaise with the Evolve team to ensure that the appropriate communication and immediate payment loading arrangements to Oracle were in place, thus clearing the accumulated backlog at the earliest possible opportunity. Due to time constraints the Evolve team faced they were unable to respond to the Fund until 3 days before the Oracle go live date. The Fund officers then received a draft loading template to submit payments for processing through the BACS systems.

Issues experienced with member payments

6. On 13 November three issues quickly transpired. These were:
 - a) The template designed to load payments to Oracle was not working and consequently payments could not be loaded.
 - b) The spreadsheet had not been tested using the Oracle software to check whether the payment templates could be loaded, and &
 - c) Due to resource issues within the Evolve team, communications were extremely limited, meaning that it was not possible to obtain updates in order to manage the expectations of members, some of whom were growing increasingly agitated about the delays.

7. As a consequence of these issues many payments were further delayed, noting that only critical and complainant payments had been processed via Oracle on a manual basis, and onward via the CHAPS system. The remaining backlog of some 200 payments was finally cleared by 6 December, 3 weeks after the original go-live date, meaning that some members experienced a delay of up to 6 weeks (including the original 3-week blackout period).
8. When the most urgent payments were made via CHAPS the BACs file created for loading into Oracle was not updated for all members. This meant 47 members were paid a second time, £228,257.81 was paid in error. 8 overpayments were less than £250, these payments were written off in the line with the Fund's Overpayment policy.
9. 24 members have now paid the Fund paid and 2 members are currently returning the payments in instalments. One further member has had their overpayment £271.81 written off due the member's current financial position. £150,872.16 has been paid back. 14 members have not paid back anything, however 4 of these members have been in contact and discussions regarding repayment are ongoing., one of these members disputes the double payment and we are currently investigating this. £76,266.87 is currently outstanding.
10. The Fund has now raised invoices for 12 members, the highest being, £41,445.25 and the Council's debt recovery process will now be followed. If we don't come to a satisfactory conclusion with the 4 members, we are in dialogue with the same process will be followed.
11. We would like to discuss the options available to the Fund if we are unable to recover these overpayments once the Council's debt recovery process has been exhausted and then pass these options to the Committee for consideration.
12. If the Fund is unable to recover the overpayments the Fund could be subject to a Scheme Sanction Charge for making unauthorised payments to members. This could be up to 55% of the outstanding amount.

Environmental Impact of the Proposal

13. Not applicable.

Financial Considerations & Risk Assessment

14. Risks to the Pension Fund's ability to fulfil core operational requirements and/or breach of agreements with suppliers, and risk of reputational damage.

Legal Implications

15. There are no material legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

16. There are no known implications at this time.

Proposals

17. The Board is asked to endorse the proposal to discuss the options available and pass these to Committee.

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Unpublished documents relied upon in the production of this report: NONE