

Immediate Payments Update

Purpose of the Report

1. To update the Board on the impact to the Fund of immediate payments 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. 7 overpayments were less than £250, these payments were written off in the line with the Fund's Overpayment policy.
9. Due to the issues experienced, the member services team have experienced higher-than-usual call volumes and an increased level of complaints, which has distracted from processing work over this period. There have also been demands on other resource within the team in order to assist in resolving these issues. 15 members have now paid back £74,090.75 leaving 25 members owing £153,063.28. If these funds are not returned by the 29 February 2024 the Fund will commence a formal debt recovery process unless a repayment plan has been agreed.

Issues experienced with supplier payments and accounting

10. Payments to suppliers of invoices has also been disrupted, leading to queries and complaints from suppliers, and requiring additional work with the Council team to process payments. Issues with ledger coding of the payments has also created additional work.
11. The one-off payment process used to make payments to reach pensions has created additional work for the accounting team as all of the ledger coding will need to be added manually. This also increases the risk of incorrect accounting records.

Migration to Altair Immediate Payments and Integrated Payroll

12. On 8 December the Altair Immediate Payments and Integrated system went live. All member payments and new pensions are paid through Altair. The Fund successfully paid 98 members their first pension payment and 25th January 2024 totalling £69,540.32. The Fund has also now made over 250 immediate payments totalling over £3.2m.
13. Now the Fund is in control of its own payments the risk of incorrect or duplicate payments have been significantly reduced. The processing time of payment tasks has also reduced which should result in an improvement in service.

Considerations for the Board

14. The Board may recall that payroll was split out from the initial Oracle implementation plan and will be going live in April 2024. There are significant risks to the operations of the Pension Fund during this transition, which is further increased by the fact that it will be occurring at the same time as the annual pensions increase exercise. Officers have requested information on timings and resource requirement from the Evolve team to ensure that there is adequate time to load and test data during the migration, so that we minimise the risk of a second, more significant, service disruption. It will be critical that both teams collaborate on this migration and ensure a joined up approach.

15. The Fund recognises that the Evolve team would have experienced competing demands on its time from other service areas, such as payments for housing benefits and adult social costs. Fund officers have asked for a “lessons to be learned” report from the Evolve Team, in order to mitigate the risk of similar issues occurring when the pensioner payroll is migrated to Oracle in April 2024.

Environmental Impact of the Proposal

16. Not applicable.

Financial Considerations & Risk Assessment

17. 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

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

19. There are no known implications at this time.

Proposals

20. The Board is asked to endorse the actions taken by the Officers who will, in turn, ensure the Board is kept informed regarding the Payroll migration in April and the return the overpayments.

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