

NORTHUMBERLAND COUNTY COUNCIL PENSION FUND Pension Fund Panel Meeting 23 November 2018



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DB & DERISKING

Barnet in TPR breach as Capita misses payments

By **Alex Janiaud** | October 22, 2018

The London Borough of Barnet Council has reported itself to the Pensions Regulator after failing to produce 447 pension benefit statements on time.

Minutes from a meeting of the council's Financial Performance and Contracts Committee earlier this month reveal that delays from employers asked to submit information have meant the local authority fund has breached the law.

The committee also said that outsourcer Capita, which carries out a variety of services for the council and is the pension scheme's own administrator, has failed to make requisite deficit contributions for the 2017-18 and 2018-19 periods of more than £2m.

The missed deadline for annual benefit statements, which must be produced by August 31 each year, is the latest problem in a string of administration headaches for the council.

In July 2017, the fund was notified by the regulator of a £1,000 fine over its failure to submit its 2016 employer return information in the required time.

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Arjun Mitra, Labour Party

There have also been delays in the production of the pension fund's accounts, which are linked to the quality and timeliness of membership data. An internal audit in January 2018 exposed problems with the quality of the scheme's data and the preparation of annual benefit statements.

The performance of the council's outsourcing contracts with Capita, including pensions issues, have elicited scrutiny from local Labour politicians and even shadow chancellor John McDonnell.

Data quality delayed the pension fund audit

Approximately 9,000 benefit statements were issued on time, with the exception of 447 "where queries are outstanding with employers (such as schools)", according to committee minutes.

"The failure to produce 447 statements constitutes a breach of law and a report is being prepared for the Pensions Regulator that will identify the relevant non-compliant employers," the minutes read.

"The local pensions board has also agreed to take a more robust approach - in line with the administration strategy - with employers who fail to comply with pensions regulations and the provision of employee information to the pensions team."

Separate problems with data have delayed the production of the scheme's accounts, which were due for completion by July 31. Auditor BDO issued its final report on October 12, according to a council spokesperson.

Barnet committee minutes read: "The quality of membership data has improved over the past period, but is still not at the required standard."

The spokesperson said this was due to previously flagged concerns about the quality of data in relation to the fund's 2016 triennial valuation and its 2018 liability valuation.

"A service improvement plan has been agreed with Capita, which is being scrutinised by Barnet's local pensions board. The improvement plan has also been shared with the Pensions Regulator.

"Discussions are ongoing with the regulator to ensure that agreed improvements are being achieved."

A spokesperson for the regulator confirmed that it was "in contact with those responsible for the governance and administration of the scheme".

The spokesperson said: "We expect all those responsible for the governance and administration of a scheme to ensure appropriate internal controls are in place to ensure that non-compliant employers fulfil their responsibilities to that scheme."

A Capita Employee Solutions spokesperson said: "We continue to work closely with Barnet Council to deliver against our agreed targets and have recently completed an improvement plan to further enhance the level of service we provide."

Capita missed its own contributions

Minutes from a pension committee meeting on October 16 indicate that Capita's regional enterprise and customer and support group outsourcing contracts, which are treated separately by the scheme, did not pay deficit contributions for the year 2017/2018. Pensions administration falls under the CSG contract.

In aggregate, deficit contributions of £1.179m were unpaid for the year to March 31 2018, while a further £1.208m is due for the year to March 31 2019.

"Capita were aware that the payments are due and had sought supporting information when the schedule of contributions was first issued (March 2017)," the minutes read.

"The lack of monitoring of contributions has resulted in the failure to pay not being identified until April 2018. Capita have indicated that payment will be made before the committee meeting."

Members getting clearer, quicker and tougher

While the vast majority of Barnet's benefit statements were prepared on time, not all appear to have been calculated correctly.

The partner of a Barnet member told Pensions Expert they contacted the administrator after their spouse received a benefit statement that misstated their pensionable salary. Neither wished to be identified.

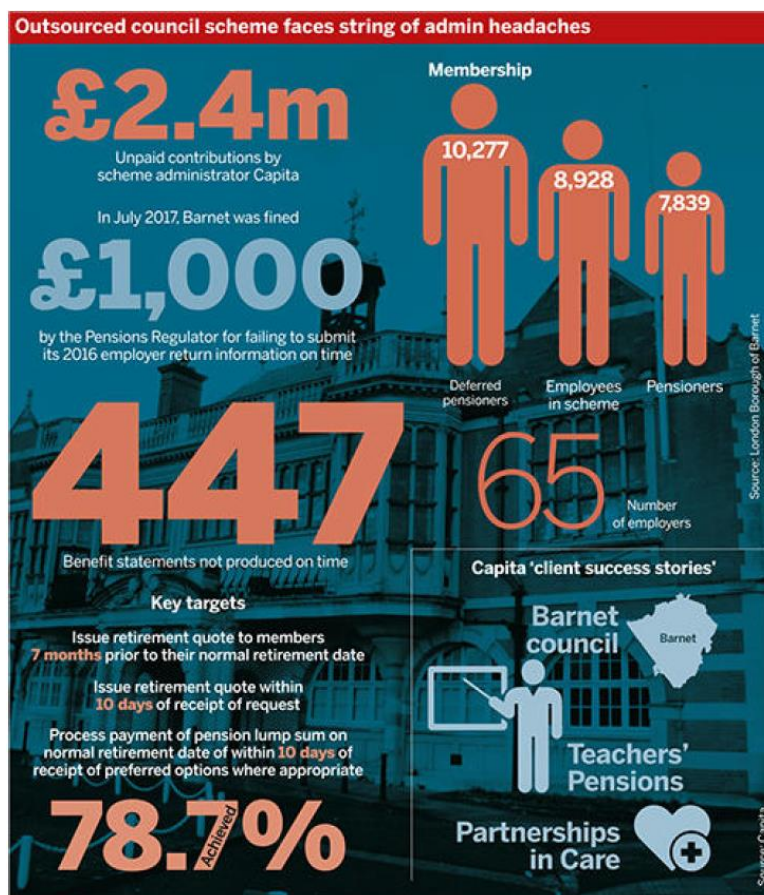
"We wrote to them... it probably took them about three months to get the thing sorted," they said, adding that the revised statement was difficult to understand and did not appear to be entirely accurate.

The couple asked for a response from the administrator within 14 days, but claimed that Capita did not acknowledge their request within this period and, after 22 days, told them that the requested window was insufficient.

Messages between parties apparently disappear from the outsourcer's messaging system, according to the member's spouse. They said Capita has been "very responsive" since the spouse raised the prospect of alerting the regulator.

Local blogger Theresa Musgrove has also alleged that administrators wrongly assured her on three occasions that she could cash in a small Barnet pension entitlement from her time working in libraries.

"I continued to query their assurances – and eventually was told this was incorrect, and I couldn't cash the lot in," she added.



Musgrove claimed that it took several phone calls to secure a stated value for her pension. She was initially only supplied with the formula for calculating the value.

"I still have no confidence that they have got it right," said Musgrove, who authors the 'Broken Barnet' blog. "Only when I mentioned I was making a formal complaint, that I knew Capita's pension administration had been criticised, and would be further publicising the awful service if I did not get the correct amount sent within 24 hours, did [a respondent on the phone] seem at all worried."

She has since complained to a member of the Barnet pensions committee, and is writing to the Barnet pensions board about her problems.

Phone contact essential

Greg Rice, member services manager at third-party administrator Trafalgar House, said knowing how to communicate with members is of vital importance to schemes and their administrators.

NHSE appoints PwC to review pensions admin

Pensions Expert understands that NHS England and Capita have appointed PwC to carry out a review of the outsourcer's administration of the NHS Pension Scheme.

The NHS scheme has encountered administrative difficulties under Capita's management. When a representative of the British Medical Association visited Capita's Blackburn office in September 2017, the administrator had allowed a backlog of 30,000 email enquiries to accumulate.

An NHS England spokesperson said: "Independent experts have been appointed to work with NHS England, Capita and the NHS Business Services Authority to carry out a complete review of all the data and identify any discrepancies."

"Many TPAs have invested heavily in written and online communications, but often members just want to pick up the phone and talk to someone," he said.

Customer-facing staff should have regular training, he said. "TPAs have limited chances to personally engage with members throughout their scheme membership, so just one bad experience can permanently colour their view of a TPA."

He added: "When members get in touch, administrators must do several key things: be accessible, set realistic expectations, do what they say and keep members informed. Above all, put yourself in the member's shoes."

Barnet's financial controls flagged as vulnerable

Barnet's pensions headaches tie in with wider problems with the council's two Capita outsourcing contracts.

"It is evident that both contracts have significant performance flaws and even the Barnet Council's recent reviews were not a ringing endorsement," wrote Labour heavyweight McDonnell in an April report by Unison into Barnet's outsourcing.

In September, a damning report by auditor Grant Thornton into Barnet's financial controls exposed management deficiencies on the part of the council and Capita after a former council staffer was jailed in August for five years for having made 62 fraudulent payments on compulsory purchase orders between July 2016 and December 2017.

A "lack of effective review controls in [both services] resulted in the individual being able to request 62 inappropriate payments to personal bank accounts", the report read. "Our recommendation is that the council takes appropriate contractual action."

A Barnet spokesperson said: "We have ensured that the money was recovered, with no loss to the public purse."

Capita will continue to administer pensions

In July, Barnet's policy and resources committee agreed to review the council's partnership with Capita.

A council spokesperson envisaged that "the finance team will return to the council's employment", but that pensions administration would remain outsourced.

The outsourcer describes its work with Barnet Council as one of its "client success stories" on its website.

BMA rebukes NHSE and Capita over admin 'fiasco'

The British Medical Association – the trade union and professional association for doctors and medical students – has been lobbying for improvements to the administration of the NHS Pension Scheme after member complaints and a motion by GPs last year to address issues with third-party administrator Capita.

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Arjun Mitra, a Labour councillor who is a substitute member of the Barnet pensions committee, said: "If Capita are touting Barnet as an example of their successes, I dread to see what their failures look like... the whole contract has, in my view, been a disaster."