

By: Chairman Superannuation Fund Committee
Corporate Director of Finance and Procurement

To: Superannuation Fund Committee – 29 June 2012

Subject: **PENSION ADMINISTRATION**

Classification: Unrestricted

Summary: To provide members with a comprehensive update of administration issues including:-

- Workload position
- Achievements against Key Performance Indicators (KPIs)
- Automatic Enrolment
- Possible fraudulent overpayment cases
- Framework Tender – Administration software
- IDRP – New Appointed Person

FOR INFORMATION

INTRODUCTION

1. This report brings members fully up to date with a range of issues concerning the administration of the Kent Pension Scheme.

WORKLOAD POSITION

2. Members have been advised of increasing workloads for the section in successive reports. The continuation of this trend is confirmed in Appendix 1.
3. Total tasks completed in the year ending 31 March 2012 at 12266 is an increase of 1774 on the previous year.
4. Significant increases are shown in the number of benefits processed, the number of estimates calculated and the number of deferred benefits completed.
5. Deferred benefits increased from 3732 to 5185.
6. These increases are largely due to the extent of downsizing being undertaken by many of our 320 employers, seeking to reduce head count to meet reduced budgets/funding.
7. The LGPS presently has a 'vesting' period' of 3 months, outside which, a refund of contributions cannot be provided should a person leave or opt out of the scheme. This has clearly added to the high volume of low value deferred

benefits now retained by the scheme, which hitherto, would most likely have been dealt with as a refund of contributions to the scheme member.

8. Members were advised of my concern that large numbers of young/low paid staff were opting out, possibly for financial reasons. We have now commenced our recording of opt outs and I will advise members of the results at the next six monthly report.

KEY PERFORMANCE INDICATORS (KPIs)

9. The results of our achievements against KPIs is shown at Appendix II.
10. I am pleased to confirm that our target of 95% within the target period has been achieved in each of the four categories.
11. The section has achieved these results in a period during which it has operated with 7 FTE vacancies.
12. We are presently recruiting 2 Pension Support Assistants and have taken up the opportunity to re-employ an experienced Pensions Administrator, who had been with us for 3 years, prior to moving to another part of KCC. She asked if she could be flexibly redeployed to us and we readily agreed.
13. Given the increases in workload and levels of staffing within the section I am very pleased to report these results to committee. Members should be aware that it is becoming increasingly difficult to maintain these results in an environment of increasing workloads and constant change

AUTOMATIC ENROLMENT (AE)

14. Members were advised of the forthcoming initiative known as Automatic Enrolment and the difficulties this may cause for the Pension Section.
15. Since the last report the 'staging date' for Kent County Council (KCC) is confirmed as 1 March 2013. At this point KCC has to enrol all eligible employees, not already members of the LGPS, into our pension scheme. Each employee has 1 month to 'opt out' if this is their wish.
16. Each employer in the Kent Pension Scheme will be required to comply with the AE legislation. Employers have individual 'staging dates' according to the size of their payroll. Our next two largest employers are Medway Council and Kent Police. All employers will need to complete the process by April 2016.
17. All employers have been invited to a training days, 2 being hosted at Ashford and 1 at Gravesham, at which LGA trainers, are providing specific training on employer responsibilities and the necessary action each employer should take.

18. We are asking each employer to advise us of the numbers of staff who are presently not in the LGPS. This should give us an idea of the likely numbers of staff to be enrolled under this initiative and the potential level of opt outs we will experience.
19. It is anticipated that a large number may opt out. All opt outs must be re-enrolled after a 3 year gap. Staff who do not qualify for AE at the staging date, because they do not meet the age/salary criteria at this time, must be auto enrolled at the earliest point they subsequently qualify. This may be mid term between the 3 year enrolment exercises .All in all this is a further significant level of work for both employers and administrators

FRAUDULENT OVERPAYMENT CASES

20. I am disappointed to advise members, that we may well have identified a number of overpayments of pensions, due to fraudulent activity by relatives / executors, following the death of our pensioner.
21. When a pensioner dies, it is the responsibility of the relatives or those acting for the deceased, to advise all interested parties of the death of the pensioner. If there is no surviving spouse or dependent children, the pension is stopped and should not continue to be paid.
22. Members are aware that over the years it has been necessary to write off cases where no advice of death was received and the pension was overpaid. These cases occurred despite efforts by the section to obtain repayment from the estate without success.
23. In the advent of the National Fraud Initiative, it was hoped that occurrence would be less frequent. The NFI, undertaken annually had little impact and often, a full years pension was paid before the NFI identified the pensioner was deceased. The NFI process is now undertaken biannually.
24. We therefore contracted with ATMOS in April 2011, which is a mortality screening company who undertake a monthly match of our database with the registrars departments around the UK, to identify such cases as soon after the death as possible.
25. Pensions should therefore only be overpaid, in cases where we are not advised, for a maximum period of 5 weeks.
26. ATMOS completed a full scan of our database back to September 2010. We have identified a small number of cases , which occurred prior to the Atmos search, but, which were not picked up by the NFI process
27. I am satisfied that fraudulent activity has occurred. These have been reported to Paul Rock, Fraud Investigator for KCC. He is liaising with Kent Police to try to seek action against those responsible. The cases and amounts involved are as follows:-

Mr R	£22,060.69	Funds withdrawn from Bank after death in January 2009.
Mr E B	£10,630.71	Informant on death certificate not responding to letters.
Mr B	£3,399.01	Funds withdrawn by machine after date of death.
Mr D	£3,359.56	Money shared amongst family and no funds available.
Total	£39,449.97	

28. Kent Police have shown some reluctance to pursue individual cases, as the Fraud Squad, only look at offences over £100,000
29. We are hopeful that they may pursue the matter given the combined value of all cases. The key is to have Kent Police provide the local banks with an order to release information about the accounts of deceased pensioners. Without such an order the banks do not co-operate.
30. Members will be kept up to date with progress.

FRAMEWORK TENDER – ADMINISTRATION SYSTEM

31. Members were advised at the last report that I had confirmed the involvement of Kent County Council in the proposed collaborative framework tender for the procurement of pension administration software.
32. The framework is to be undertaken by the following administering authorities on a collaborative basis:
 - Kent County Council
 - Essex County Council
 - Hampshire County Council
 - Greater Manchester Pension Fund
 - North Yorkshire Pension Fund
 - South Yorkshire Pension Fund
 - Bedfordshire Pension Fund
 - Norfolk Pension Fund
 - Lambeth Pension Fund
33. The founder authorities include no less than 5 administering authorities either larger or of an equivalent size to Kent. Greater Manchester is the largest of the UK LGPS schemes.

34. The first meeting of the group was held in London on 12 June 2012. I agreed to seek member endorsement for Kent County Council to be the 'lead' authority for this project. Being lead Authority carries no liability for Kent
35. Agreement was reached to seek a multi provider framework from which any UK Authority can call off future contracts. Members can be assured that this is a strong group, who will share the costs of the tender process equally.
36. Eversheds, the prominent UK pension lawyers, are contracted to provide procurement and legal advice.
37. Mercers are likely to be contracted to provide market intelligence, project managements and contractual input.
38. Technical and specification of system needs will be provided by member schemes.
39. Committee members are given my absolute assurance that the project leaders are aware of the potential risks posed by this initiative. However, the Founder members are also very clear that the current monopoly environment, enjoyed by Heywood, is not welcomed in the future
40. Members of the project board are confident that the framework will provide all LGPS administering authorities with the comfort of a reliable, secure and cost effective choice of system providers, for the first time in the future
41. Presently, the current contract of Kent County Council, with Heywood, is renewed annually without EU procurement/tender being undertaken.
42. In recent months both West Yorkshire, East Riding Pension Schemes, have moved away from Heywood and chosen the Comino/Civica offering. It is now considered necessary for Kent to be a part of this collaborative tender process in order to avoid any risk of challenge in the future.
43. It has been necessary for me to step down, from my role as Chairman of the National Management Team of CLASS, in order lead this initiative.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

44. The scheme regulations require that each employer and the administering body appoint an independent referee to consider appeals made by scheme members or scheme employers.
45. The Kent Scheme originally appointed John Briscoe, former Pensions Manager of Norfolk County Council, who commenced a pensions consultancy for the purpose, upon his retirement from the council.
46. Mr Briscoe is now retiring completely and will no longer be able to act in this capacity with effect from 30 June 2012.

47. We are able to appoint a colleague of West Yorkshire to act in this capacity in the future who will be fully versed in respect of the Regulations of the LGPS.
48. I am satisfied that this will provide us with an impartial and informed appointed person to replace Mr Briscoe.
49. Mr Briscoe charged £200 per case . This was the original fee dating back to 1998. West Yorkshire propose to charge £250 per case going forward. We see around 12 cases per annum.
50. It is proposed that where a decision of the employer, is the subject of an appeal, the employer be responsible for the cost of the appeal. The Pension Fund will only be responsible, where the subject matter of the appeal, relates to the Pension Section or the scheme regulations, about which the employer has no influence.

RECOMMENDATION

51. Members are asked to note
 - (1) The content of this report.
 - (2) Members are asked to confirm their agreement that Kent be the lead authority to the pension scheme administration software framework agreement, in the outline terms confirmed in this report and share with the other 'founder' members, the cost of the project.
 - (3) Members are asked to agree the appointment of West Yorkshire Pension Fund to act as the appointed person in the resolution of disputes with the Kent Pension Fund.

Patrick Luscombe
Pension Manager
Extension 4714

Appendix I
Tasks created in key administration areas
Workload Summary

Case Type	2009/10	2010/11	2011/12
Benefit calculation	1797	2076	2434
Divorce cases	490	544	449
Estimate calculation	2348	2871	3133
Preserved Benefit	3913	3732	5185
Transfers In	664	547	283
Transfers Out	555	407	418
Widows Benefit	311	315	364
TOTAL	10078	10492	12266

Annual figures to 31 March each year.

Appendix II

Achievements against Key Performance Indicators

Case Type	Target	2009/10		2010/11		2011/12	
		No	% in target	No	% in target	No	% in target
Calculation and payment of retirement award	20 days	1797	98%	2076	99%	2434	99%
Calculation and payment of dependant benefits	15 days	311	98%	315	99%	364	98%
Calculation and provision of benefit estimate	20 days	2348	98%	2871	98%	3133	99%
Reply to correspondence	10 days	1722	99%	1705	99%	1473	98%

NB. All targets run from the day the section has full/correct documentation.