

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

To: Superannuation Fund Committee

Subject: **PENSIONS 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
- Annual Benefit Illustrations
- CIPFA Benchmark 2013
- LGPS 2014.

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. Appendix 1 shows the year on year comparison of work levels being received in the section.
3. It is clear that the high activity levels seen in 2011/12, during a period of considerable downsizing across the county, have not been repeated in the latest figures.
4. Workload is however, showing a reasonable increase on the levels of 2010/11, in both the 12 months to March 2013 annual statistics and the 6 month figures to September 2013.
5. If workload in the last 6 months, is annualised to March 2014 this will result in a total of 11,758 cases compared to 10,921 in the year to March 2013

ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

6. Appendix 2 shows the achievements of the section in meeting its KPIs compared to the previous 4 years.
7. We are required to complete 95% of the recorded KPI tasks, within the agreed target turnaround times.
8. It is pleasing to report that nearly all cases have been completed in the agreed turnaround time and the section has exceeded the agreed target time in all areas.

AUTOMATIC ENROLMENT

9. At the last report members were advised that both Kent County Council and Medway Council had taken the decision to postpone their staging dates until October 2017.
10. We are not aware of any employer, which at this point in time have made a firm decision, to proceed at their initial staging date.
11. The whole process of Automatic Enrolment will place particular pressure on both employers and the administration section.

ANNUAL BENEFIT ILLUSTRATIONS

12. Following the problems experienced last year, when due to a processing error at County Print, large numbers of statements were sent to incorrect addresses, we appointed a new printer.
13. The new printer, Adare, undertakes this role for a number of other LGPS authorities. We contracted with them, having obtained competitive quotes for the work, and, references from existing users.
14. A new A5 design was agreed with Adare, which, I am pleased to say has been well received by scheme members. A number of favourable comments have been received by the section.
15. 40,219 statements were sent out. The section received 346 calls of varying types. We are not aware of any statement being sent to an incorrect address, apart from a small number we get, each year, where no notice of change of address has been received by us.
16. It was a hugely successful process. The new A5 design also achieved savings in postage costs of circa £4400.
17. The authority was not subject to a fine or penalty, by the Information Commissioners Office, as a consequence of last years problem.

CIPFA BENCHMARK SURVEY RESULTS 2013

18. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
19. The survey compares our costs with those of 52 other authorities (all authorities survey) and 19 competitor authorities (comparator group), being largely Shire Counties, chosen by us.
20. Appendix 3 shows our achievements against both groups in a range of administrative areas. I have shown the Kent performance for 2012 and 2013 for additional information.
21. In the headline results of Kent only, in 2012 and 2013, we see reductions in per member costs, in all but two areas. Communication costs have increased year on year to £2.23 per member. This was as a direct result of the ABI problems of 2012/13.
22. IT costs have also increased from £1.94 to £2.18 per member respectively. This relates to our investment in a new Unix box at around £28k together with, £24k, to implement the new Real Time Information link, required by HMRC.
23. In comparison to the all schemes and comparator group figures, a total administration costs per member, at £18.31 is lower than both averages (£21.42 and £19.04 respectively).
24. Payroll costs per member are significantly lower than both survey averages (£1.38 to £2.56 and £3.41).
25. Accommodation costs are higher due to our proximity to London and actuarial costs reflect our very high numbers of scheme employers. We have significantly more scheme employers than most all other schemes in the survey.
26. The most significant variance is seen in our communication costs. This continues to reflect the cost of a twice yearly pensioner newsletter and our continuing investment in our Kent Pension Fund website.
27. In general terms I believe the results reflect well on our achievements particularly given, there is no 'quality' measure, built into the survey.

NEW LGPS 2014

28. Members were advised of the key proposals and benefit structure on offer for the New LGPS 2014 in my previous report.
29. Since the last report we have had both the draft and actual regulations for the new LGPS 2014 going forward. These are the Local Government Pension Scheme Regulations 2013 effective from 1 April 2014. These were delayed for 6 months after the scheduled date of issue.

30. The regulations disclose no major changes to the future benefit structure from the proposals previously advised to members.
31. We await the Transitional Regulations and Government Actuary Department guidance, which represent the key to the future administration of the scheme.
32. These regulations and guidance will confirm how the protections for existing members is to be applied, how the two schemes are to be aligned one to the other and how values can be measured under both regimes
33. It was promised that these critical transitional regulations, in common with the LGPS 2013 Regulations, would be with us in order to provide a full 12 month lead in. Clearly, this is not going to be achieved.
34. Members should be aware that any undue delays in the production of either of these important elements, could potentially cause significant delays in processing benefits and transfers. In addition, we may not be able to provide employers with the detail they require, around their important and changing role in this new arrangement
35. Pending the issue of these papers, expected in late November, there is little more news to give members.
36. We continue to analyse and interpret what we have already and concentrate our efforts on informing employers of those areas they need to be most aware of and about which we have the detail.

RECOMMENDATION

- 37 Members are asked to note the content of this report.

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**Tasks created in key administration areas
Workload summary**

Case Type	2009/10	2010/11	2011/12	2012/13	6 months to September 2013
Benefit calculation	1797	2076	2434	2056	1056
Divorce case	490	544	449	351	171
Estimate calculation	2348	2871	3133	2672	1424
Preserved benefit	3913	3732	5185	4769	2617
Transfer in	664	547	283	365	185
Transfer out	555	407	418	403	238
Widows	311	315	364	305	183
Total	10,078	10,492	12,266	10,921	5,874

Achievements against Key Performance Indicators

Case Type	Target Time	6 months 09/10		6 months 10/11		6 months 11/12		6 months 12/13		6 months to Sept 2013	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	1797	98%	2076	99%	2434	99%	2056	99%	1056	99%
Calculation and payment of dependant benefit	15 days	311	98%	315	99%	364	98%	305	99%	183	97%
Calculation and provision of benefit estimate	20 days	2348	98%	2871	98%	3133	99%	2672	99%	1424	97%
Reply to correspondence	10 days	1722	99%	1705	99%	1473	98%	1152	99%	645	98%

NB. All target turnaround times commence when we have all the necessary documentation to complete the particular task.

CIPFA Administration Benchmark Survey 2013

	Kent County Council		Average comparator group 2013 *	Average all schemes 2013
	2012	2013		
Total administration costs per member	£19.57	£18.31	£19.04	£21.42
Staff costs per member	£9.61	£9.31	£8.16	£9.29
Payroll costs per member	£1.64	£1.38	£2.56	£3.41
Communication costs per member	£2.07	£2.23	£0.87	£0.84
Actuarial costs per member	£2.15	£1.44	£0.95	£1.24
Accommodation costs per member	£1.21	£1.19	£0.67	£0.78
IT costs per member	£1.94	£2.18	£2.46	£2.91

* 19 shire counties