

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

To: Superannuation Fund Committee – 14 November 2014

Subject: **PENSIONS ADMINISTRATION**

Classification: Unrestricted

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

- Changes to the LGPS from 1 April 2014
- Workload position
- Achievements against Key Performance Indicators (KPIs)
- Pensions Administration system
- CIPFA Benchmarking Survey Results 2014.

## **FOR INFORMATION**

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### **INTRODUCTION**

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

### **CHANGES TO THE LGPS FROM 1 APRIL 2014**

2. Members were informed at the last committee meeting that delays had been experienced in the release of key elements of the regulations and guidance needed in order to administer the changes to the scheme from 1 April 2014 with some of the guidance not being delivered until 4 days before the changes were effective.
3. The delays also impacted on our pension administration software provider which meant that software had not been updated in order to deal with some of the changes resulting in manual calculations being undertaken in some cases. These problems have now been resolved.
4. There are still some outstanding issues regarding the scheme that the Local Government Association is pursuing with DCLG and Treasury particularly regarding aggregation of pension benefits where members have previous LGPS pension rights.
5. As a result of the problems detailed some of our Key Performance Indicators were affected in a detrimental way during the 6 months to September 2014.

### **WORKLOAD POSITION**

6. Appendix 1 shows the year on year comparison of work levels being received in the section together with the 6 month position as at September 2014.
7. Most work categories appear to be in line with 2012/13 levels with the exception of correspondence and deferred benefits.

8. The level of enquiries and correspondence has increased dramatically with 1447 being dealt with during the 6 month period ending September 2014 compared to 1467 responded to during the 12 months ending March 2014. This is mainly due to increased enquiries from members regarding the impact of the changes to the pension scheme on their pension benefits.
9. In addition the Government announced 'Freedom and Choice' options to come into force in April 2015 for those in defined contribution (DC) schemes. There have been a growing number of enquiries from members as to whether these changes will be introduced into the LGPS or whether they can transfer their pension rights to a DC scheme in order that they may take advantage of the changes.
10. The decrease in the number of deferred benefits is largely due to members now requiring 2 years' membership of the scheme before being entitled to a deferred benefit, an increase in the previous requirement of 3 months membership.

### **ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)**

11. Appendix 2 shows the achievements of the section in meeting its KPIs in the 6 month period to September 2014 compared to the previous 4 years.
12. We are required to complete 95% of the recorded KPI tasks, within the agreed target turnaround times.
13. In the categories of the calculation and payment of retirement benefits and correspondence, although these dipped during the 6 month period due to the reasons described previously, the overall averages are within target.
14. However as a result of concentrating efforts on these areas of work the targets were not met with regard to the calculation and payment of dependent benefits and the calculation of estimates. The targets in these areas of work improved during the latter end of the 6 month period.

### **PENSIONS ADMINISTRATION SYSTEM**

15. As previously reported to members the decision was made that the administration system that would be used to administer the pension scheme would be the Heywood's Altair product.
16. The decision was also made at the last meeting to use Heywood's hosted service.
17. After a period of data cleansing, training and user acceptance testing a copy of the data on the Axise database was sent to Heywood on 6 October to migrate to the Altair environment.
18. During the 6 day migration period staff in both the pensions section and the payroll team were not able to access or use the new Altair database and had read only access to the old Axise database.
19. From the 14 October the Altair environment was made available and staff have gradually become accustomed to its use. However issues still existed with scanning incoming documents and reporting from Altair.

20. The October pension payroll was processed on the Altair environment on 23 October.
21. Due to the system down time, the familiarisation with the new system and the ensuing problems it is likely that the KPIs may again unfortunately be detrimentally affected, certainly in the short term.

### **CIPFA BENCHMARK SURVEY RESULTS 2014**

22. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
23. The survey this year compared our costs with those of 49 other authorities (all authorities survey) and 19 comparator authorities, largely Shire Counties.
24. Appendix 3 shows our performance against both groups in a range of administrative areas. I have shown the Kent performance for 2013 and 2014 for additional information.
25. The results place Kent 12<sup>th</sup> of the 49 authorities (1<sup>st</sup> being the lowest) in terms of the cost of administration per member of the scheme.
26. In the headline results of Kent only, in 2013 and 2014, we see reductions in per member costs, in all but two areas. Payroll costs have increased slightly on the previous year to £1.45 per member.
27. IT costs have also increased from £2.18 to £3.31 per member respectively. This is as a result of additional costs for developing the Axise system to deal with changes to the LGPS and costs associated with the purchase of the Heywood Altair product.
28. In comparison to all schemes and comparator group figures total administration costs per member at £17.61 is lower than both averages (£20.75 and £18.67 respectively).
29. Although payroll costs per member have increased they are still lower than both survey averages (£1.45 compared to £1.97 and £2.02).
30. Accommodation costs tend to be higher than the average.
31. Actuarial costs are lower this year as unlike previous years the costs reported relate solely to the actuarial costs associated with the administration of the scheme rather than the Kent Pension Fund's total actuarial costs. The balance of the costs are as a result of work undertaken by the Investments and Treasury section and should not be reported in this benchmarking exercise.
32. The report indicates that Kent has the third highest number of employers in the Fund when compared to the other 49 authorities.
33. The most significant variance is seen in our communication costs. These are high when compared to others but the Kent Pension Fund has always strived to provide clear and regular communication which receives positive feedback from our members. The costs have decreased slightly when compared to last year, despite the increase in postage costs, and we continue to strive to reduce communication costs without impacting on the service we provide.

34. Another anomaly with regard to the communication costs is that we believe there is disparity between some of the participants in the benchmarking survey as to the costs that are included in this category. We now have a member of the pensions section on the CIPFA working party with regard to this survey and will be pursuing clarity regarding the costs that should be included in the communication category.
35. In general terms I believe the results reflect well on our achievements particularly given, there is no 'quality' measure, built into the survey.

## **RECOMMENDATION**

35. Members are asked to note the content of this report.

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

<b>Case Type</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>6 months to September 2014</b>
Benefit calculation	2076	2434	2056	1978	1028
Correspondence	1705	1473	1152	1467	1447
Divorce case	544	449	351	312	151
Estimate calculation	2871	3133	2672	2861	1300
Deferred benefit	3732	5185	4769	5244	1991
Transfer in	547	283	365	374	114
Transfer out	407	418	403	478	220
Dependants	315	364	305	364	149
<b>Total</b>	<b>12,197</b>	<b>13,739</b>	<b>12,073</b>	<b>13,078</b>	<b>6,400</b>

**Achievements against Key Performance Indicators**

Case Type	Target Time	10/11		11/12		12/13		13/14		6 months to September 2014	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	2076	99%	2434	99%	2056	99%	1978	99%	1028	99%
Calculation and payment of dependant benefit	15 days	315	99%	364	98%	305	99%	364	99%	149	81%
Calculation and provision of benefit estimate	20 days	2871	98%	3133	99%	2672	99%	2861	98%	1300	57%
Reply to correspondence	10 days	1705	99%	1473	98%	1152	99%	1467	98%	1447	98%

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

## CIPFA Administration Benchmark Survey 2014

	Kent County Council		Average comparator group 2014*	Average all schemes 2014
	2013	2014		
<b>Total administration costs per member</b>	£18.31	£17.61	£18.67	£20.75
<b>Staff costs per member</b>	£9.31	£8.49	£7.76	£8.87
<b>Payroll costs per member</b>	£1.38	£1.45	£2.02	£1.97
<b>Communication costs per member</b>	£2.23	£2.18	£0.91	£0.87
<b>Actuarial costs per member</b>	£1.44	£0.57	£1.70	£1.74
<b>Accommodation costs per member</b>	£1.19	£1.12	£0.64	£0.69
<b>IT costs per member</b>	£2.18	£3.31	£3.22	£3.81

\* 19 shire counties