

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

To: Superannuation Fund Committee – 28 August 2015

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)
- Staffing Issues
- Employer's Understanding of the Scheme Changes
- Changes to Pension Fund Website
- Police and Fire Pension Schemes
- Guaranteed Minimum Pension (GMP) Reconciliation
- Pensions Tax

**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. The majority of work categories remain in line with 2013/14 levels with the exception of correspondence, deferred benefits, transfers in and transfers out.
4. The level of enquiries and correspondence has increased by 135%. This is mainly due to increased enquiries from members regarding the impact of the changes to the pension scheme on their pension benefits but in addition the categorisation of responses to email enquiries now as correspondence. Emails are growing as the preferred method of communication by some members but this is still outstripped by the number of telephone calls received in the section, which averages at approximately 1500 each month, which are not included in the section's workloads.

5. 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.
6. The number of actual transfers in fell due to the delay in clarity from Central Government with regard to how these should be dealt with under the LGPS CARE scheme. The rise in transfers out of the scheme was probably due to members transferring their LGPS pension benefits to a defined contribution scheme in order that they could take advantage of the new 'Freedom and Choice' options announced by the Government which came into force from April 2015.

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

7. Appendix 2 shows the achievements of the section in meeting its KPIs for the year 2014/15 compared to the previous 4 years.
8. We are required to complete 95% of the recorded KPI tasks, within the agreed target turnaround times.
9. In the categories of the calculation and payment of retirement benefits and correspondence, although these dipped during the year overall averages were within target.
10. However as a result of concentrating efforts on these areas of work and for other reasons detailed below targets were not met in other areas and the overlying reasons have continued to have an impact to date. Some of the reasons for the difficulties experienced are as follows:
  - Late publication of scheme regulations and Government guidance with regard to the changes to the scheme from April 2014 which necessitated the stockpiling of some areas of work.
  - Due to the lateness of regulations the software used to perform calculations was not updated in time for the changes and manual calculations had to be undertaken
  - Loss of key staff (see below)
  - Lack of understanding by employers regarding their responsibilities following the changes to the scheme including information required at year end (see below)
  - Changes to website (see below)
  - Changes to Police and Fire schemes (see below)
  - Temporary office move to Invicta House due to end of Brenchley House lease
  - Increase in information required by members following the Government's Freedom and Choice' options

### **STAFFING ISSUES**

11. During 2014/15 and to date, 10 members of the section have left. Some of these were senior staff within the section with 4 having 54 years experience between them. 3 members retired with 3 senior experienced staff finding alternative pension administrator work with a third party pensions administrator.

12. In addition during 2014/15 the section had 6 members of the section on maternity leave.
13. Several recruitment campaigns have been undertaken with 8 new recruits being employed. However none of these have any previous pensions administration experience and with an average of between 7-10 years to train to become an experienced LGPS pension administrator this has an impact on the productivity of the section.

### **EMPLOYER'S UNDERSTANDING OF THE CHANGES TO THE LGPS**

14. Prior to the introduction of the changes to the scheme a considerable amount of work was undertaken in the section to update the documentation required from employers in order that the section could administer the scheme. In addition procedure manuals were updated, up to date information supplied on the section's website and training sessions held throughout the County for employers.
15. Despite this certain employers continue to struggle to understand their new responsibilities under the scheme and the information required and this has resulted in the section continually having to return submitted information for correction and to supply further training.

### **CHANGES TO PENSION FUND WEBSITE**

16. In 2011 KCC's ICT section built the Kent Pension Fund website on the Immediacy content management system. Following a restructure the ownership was transferred to KCC's Digital Services hosted by ICT on in house servers and managed through a third party. In January 2015 the section was informed by Digital Services that the Immediacy product was no longer supported, that ICT had to turn off the server on which the website was hosted by June 2015 and that immediate action needed to be taken as the site was at huge risk.
17. The website is an important communication tool for members of the scheme, both past and present, and employers and so it was vital that it was supported.
18. Digital services had been instrumental in moving [www.kent.gov.uk](http://www.kent.gov.uk) away from Immediacy in 2014 and this is now cloud hosted and uses a platform called Squiz. Their recommendation was that this platform was also used for the pension fund site with Digital Services becoming the lead partner in designing the new website but with the Pensions team being the key stakeholder.
19. A decision was made to move the pension fund website to this platform. However due to the imminent deadline with regard to the loss of the existing KCC server 2 members of the section were seconded to work on this project in order to migrate all the existing data and to liaise with Digital services regarding the design and content of the new website.

20. The new website went Live at the beginning of June, with further development to be undertaken in the future. The approximate Digital Service's charge with regard to their work on the site to date is £16,200.

### **POLICE AND FIRE PENSION SCHEMES**

21. During 2014/15 the section has also seen increased workloads with regard to the administration of the Police and Fire pension schemes.

22. Following the Public Service Pensions Act 2013 changes were made to all public sector pension schemes including the police and fire schemes effective from 1 April 2015.

23. Similar to the changes made to the LGPS in the previous year the regulations to govern the new schemes were very late in being issued which impacted on training staff, communication to members of the existing schemes and the updating of software.

24. Unlike the changes to the LGPS some of the existing members of the old schemes retained protections which meant that they did not immediately move to the new scheme. As a result all the members of the schemes had to be communicated with regard to the protections and information supplied regarding the new schemes.

25. In addition recently the Pensions Ombudsman has made a final determination in the case of Milne v Government Actuary Department regarding the lack of the review of the commutation rates used when converting pension to lump sums

26. As a result of the determination it will be necessary for the section to recalculate the pension benefits of all the police officers and firefighters that retired between 2001 and 2006, early indications showing the numbers to be in the region of 650. With the section normally dealing with approximately 90 police and fire retirements in a year this work will also impact on the section's workloads with the expected date of completion of this work being December 2015.

### **GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION**

27. The option to contract-out of the State Second Pension (S2P) will come to an end in 2016 when the Single State Pension is introduced. Currently it is only possible to contract-out of S2P (previously SERPS) for schemes providing 'defined benefits' above a certain minimum level. Prior to April 1997 the minimum level of benefit the DB scheme had to provide was known as a Guaranteed Minimum Pension (or GMP), which still forms part of many members' benefits.

28. When contracting-out ends in April 2016, HM Revenue and Customs (HMRC) will no longer track contracted-out rights and will issue closure schedules to schemes so they can compare these against GMP amounts held on scheme records. This is known as GMP reconciliation.

29. Following this, from December 2018 HMRC is planning to send individuals information about their contracting-out history. As a result of the above, all schemes will need to reconcile their GMPs with those held on HMRC's records by December

30. The section has registered with the HMRC to provide the relevant data with regard to the members of the Kent Fund.
31. The Local Government Association (LGA) has estimated that the total reconciliation will cost the LGPS £100m and funds may have to cover additional pensions increases of £200m a year. The reconciliation exercise is likely to uncover significant over and under payments
32. Several external consultancy companies are offering to undertake this exercise for schemes with the LGA being quoted between £20 and £40 to reconcile each LGPS member record with these costs escalating to between £60 and £80 where a record is incorrect.
33. It will now be determined the most cost effective method of dealing with this exercise but inevitably this added workload will have an impact on the section.

### **PENSIONS TAX**

34. Over the last few years the Government has made some major changes to how individual pension pots are taxed and further changes were made in the recent budget.
35. From April 2016 the Lifetime Allowance (LTA) will reduce from £1.25m to £1m. For those affected by the reduction in the LTA, the Government has announced that transitional protection will be available although full details have not yet been published. The reduction in the LTA will result in more scheme members being affected by the LTA.
36. The Annual Allowance is the maximum amount of tax-relieved pension savings that a scheme member can make in one year. Currently it is £40,000 however from April 2016 if a member has an 'adjusted income' of over £150,000 for a tax year, their Annual Allowance will reduce for that tax year by £1 for every £2 of income they receive over £150,000. If their adjusted income is £210,000 or over, their Annual Allowance will be reduced to £10,000, but no lower.

### **RECOMMENDATION**

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

**Barbara Cheatle**  
**Pensions Manager**  
**03000 415270**

**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>2014/15</b>
Benefit calculation	2076	2434	2056	1978	1928
Correspondence	1705	1473	1152	1467	3450
Divorce case	544	449	351	312	293
Estimate calculation	2871	3133	2672	2861	2541
Deferred benefit	3732	5185	4769	5244	2475
Transfer in	547	283	365	374	189
Transfer out	407	418	403	478	558
Dependants	315	364	305	364	323
<b>Total</b>	<b>12,197</b>	<b>13,739</b>	<b>12,073</b>	<b>13,078</b>	<b>11,757</b>

## Achievements against Key Performance Indicators

Case Type	Target Time	10/11		11/12		12/13		13/14		14/15	
		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%	1928	99%
Calculation and payment of dependant benefit	15 days	315	99%	364	98%	305	99%	364	99%	323	87%
Calculation and provision of benefit estimate	20 days	2871	98%	3133	99%	2672	99%	2861	98%	2541	63%
Reply to correspondence	15 days	1705	99%	1473	98%	1152	99%	1467	98%	3450	98%

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