

By: Director of Finance  
To: Superannuation Fund Committee - 3 July 2009  
Subject: **PENSIONS ADMINISTRATION**  
Classification: Unrestricted

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Summary: To provide members with an update on administration issues.

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## **FOR DECISION**

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### **INTRODUCTION**

1. Members were provided with a report on 21 November 2008. This six monthly review will update members on the key issues since then.

### **VESTING PERIOD**

2. Members were advised that the vesting period for LGPS members was reduced from 2 years to 3 months. This means that a member with 3 months or more service, in the event of their ceasing scheme membership, must by law have a deferred benefit and do not qualify for a simple refund of contributions.
3. The effect of this change was to have a significant impact upon the number of deferred benefits being created.
4. I advised members that I had sent a letter to the Department for Communities and Local Government (CLG), seeking a review of this decision based upon the significant number of trivial benefits being created at considerable administration cost. Equally important, benefits even after annual increases are of such insignificant amounts, former members were unlikely to maintain contact with the scheme and draw benefits at retirement.
5. I am pleased to report that CLG have asked the Local Government Employers Association (LGE), to engage an actuary to review the cost/benefit of this change to the rules. We have been asked to provide estimates of the administration costs.

### **85 YEAR RULE**

6. There has been no progress made with regard to changes originally made to the '85 year rule', whilst Scotland decided to provide full membership protection through to 2020, England and Wales introduced a sliding level of protection through to 2016. Following challenge by the Unions this continues to be the subject of review.



13. In my last report I advised members of the number of trivial deferred benefits on the current database. At 30 September 2008 we had no less than 1576 benefits for annual pensions of £100 or less. Over 50% were in fact under £50 per annum. We now have 2089 benefits of £100 or less of which 982 are for less than £50 per annum. This clearly confirms the concern being expressed to CLG with regard to the cost/benefit of the regulation change in vesting period.
14. Scheme member numbers, of all categories of member (active, deferred, widows, pensioners etc.) have increased to 107,048.
15. In summary, I believe the statistics confirm a very pleasing outcome despite increasing workloads, legislative change and uncertainty around the new scheme. Whilst we plan more proactively for seasonal peaks, it is very difficult to balance the effort needed to meet KPI results and at the same time continue to reduce some of the high volume areas of work with no deadline.

### **PREPARATION FOR THE 2010 VALUATION**

16. Work has already commenced in relation to the 2010 valuation. The valuation extract is to be used, in conjunction with all others around the UK, to inform the cost sharing decision making process.
17. As previously stated in this report, we are currently discussing use of a computerised data cleansing tool. However, the software merely focuses on those records which appear inconsistent but does not actually perform any intervention. That follows as a consequence of our reviewing the record and amending data accordingly. What it will do is to provide valuable extracts which it is hoped will enable the section to identify those areas which could have significant impact upon the valuation results and ensure these are undertaken in a priority sequence.

### **UPDATE ON TECHNOLOGY INITIATIVES**

#### **Pensions Website**

18. The Pensions Website is now established as part of the KCC website. Members can log in at [www.kent.gov.uk/pensions](http://www.kent.gov.uk/pensions). The 'employer' section is now complete, however, always subject to updates etc. The Pensioner Section is currently under construction, will contain a link to the Kent Active Retirement Fellowship and, is scheduled for completion by the end of August 2009, whilst the employee section is scheduled for completion by the latest, December this year.
19. The member section is the most complex, given, it will ultimately provide interactive services such as calculation of benefits, additional regular contribution calculators etc. The initial phase (for December 2009) will consist of an information base only, with the more complex services being introduced at a later point.

## **AXISe Employer**

20. Progress is being made in this initiative but one has to say more slowly than I would like.

Recent changes to data security laws has resulted in KCC IS department, reviewing the use of our preferred CITRUS link, enabling remote access by employers, via their own networks. We may now have to adopt access processes using the fob facility, comprising, individual access via a small key fob size, password provider. The numeric password changes on a daily basis for all users.

Our IS department are currently revising their costs for dealing with this project, having initially assessed the amount of around £30k. This 'one off' cost we believe may reduce as we do not think the cost of licenses, on a multiple employer basis will be necessary, given, other authorities have not experienced the need for individual licenses to be issued (Microsoft Word) as this will not be part of the service.

I seek members' agreement to the cost of this internal charge up to a maximum of £30k.

- 21 I hope to be able to report significant progress in this important development, providing self service option to employers, in my next report.

## **FUTURE PLANS**

### **Staffing**

22. Members were advised of our strategy to increase the number of Pension Support Assistants (PSAs) with a reduction in career grade administrators (CGAs). The latter are required to progress along a career path whilst PSAs undertake high volume/less complex tasks, whilst remaining on a single grade band.
23. The key is to balance cost without a loss of efficiency. Timing is crucial for the section, given the pace of change in recent years, the need to clear that part of the workload and KPIs outstanding and in knowledge of further scheme changes in the next 3-5 years.
24. Again, the appointment of two more staff to our Communication and Support Team is vital, but, given these posts will attract existing internal candidates within the administration career grade, timing is crucial.
25. We are carefully considering our options but initially intend to recruit and train 2 x PSAs and take two gap year students to assist with data cleansing.
26. The importance of strengthening the Communication and Support team, within the section, is a vital part of our planned efforts to assist employers in improving efficiency in transferring data to the section. This is an area of particular concern and one that is increased in importance by virtue of the need to cleanse data for cost sharing purposes.

## **INITIAL REPORT OF POTENTIAL IRREGULARITY**

27. I regret it necessary to report to members the existence of a potential irregularity which has recently been identified.
28. Details have been submitted to the North Kent Crime Unit at Northfleet after consultation with our Internal Audit department. It is anticipated that following initial enquiries, criminal proceedings will be commenced.
29. The potential overpayment is £16,649.84 and the initial view is that it is the result of a deliberate act of deception following the death of a pensioner.
30. We rely upon the National Fraud Initiative to identify these cases and this years NFI exercise has highlighted the case. Internal Audit have confirmed that this was not picked up in previous NFI work and are seeking to establish why it was not. Internal Audit have confirmed that this case has never previously been reported to the Pensions Section.
31. A full, confidential, report will be given to the next meeting of the Committee.
32. I had already been reviewing a service from Faraday Tracing Bureau who specialise in data matching and trace processing.
33. The Local Government Employers (LGE) have undertaken comparative costing of others who offer a mortality screening service and, FTB are clearly more economic. They have reduced their fee from a previous cost at 50p per pensioner per annum, for a monthly data match, to 20p per annum. With around 38,000 pensioners the annual cost will be £7600 which is a very attractive offer. The cost reflects FTBs expectation of contracting with a large number of local authorities.
34. I would therefore recommend we contract with FTB and would seek members' agreement. We will ensure all data is transferred securely and ensure the monthly response from FTB is transferred securely.

## **RECOMMENDATION**

35. Members are asked to note the content of this report and endorse the additional internal IS costs in respect of AXISe Employer development at a maximum of £30k.
36. Members are also asked to endorse the contract with FTB at an annual cost of £7600.

**Patrick Luscombe**  
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**Achievements against Benchmark Targets  
and Performance Indicators**

Case Type	Target Time	6 months to September 2007		6 months to April 2008		6 months to September 2008		6 months to April 2009	
		Number	In target	Number	In target	Number	In Target	Number	In Target
Calculation and payment of benefit award	20 days from receipt of all paperwork	803	99%	731	96%	977	92.5%	837	98.5%
Calculation and payment of dependant benefit	15 days from receipt of all paperwork	165	100%	170	91%	172	95.8%	200	100%
Provision of benefit estimate	20 days from receipt of all paperwork	1077	97%	951	95%	1198	91.5%	1166	98%
Reply to correspondence	Full reply within ten working days *	558	98%	607	95%	741	91.0%	862	98%

**Workload Increases  
Year End 2006/2008 Comparison**

**New Cases Created**

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Deferred Benefits</b>	2734	3586	4101	4024	4443
<b>Benefit Estimates</b>	1507	1591	2403	2260	2364

**Other Statistics**

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Outstanding tasks on Task Flow system at year end</b>	6022	6378	9041	8345	7323*
<b>Three year comparison of 20 weeks output May to September</b>	-	-	11464	15240	14754

\* Currently 7942