

By: Corporate Director of Finance and Procurement
To: Pension Board – 4 July 2017
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)
- Guaranteed Minimum Pension(GMP) Reconciliation
- Pension Administration Software Product

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 have increased when compared to 2015/16 levels with the exception of a small reduction in the number of transfer out and divorce calculations undertaken.
4. There was a marked increase in the number of estimate and benefit calculations. This is partly due to a targeting of those scheme members who had not previously claimed their pension benefits to make them aware that late retirement additions to benefits were to decrease and that they may wish to consider taking payment of their benefits before the decrease. This resulted in an increase in the number of estimates and benefit calculations undertaken.
5. The level of enquiries and correspondence continues to increase. We encourage members of the scheme to visit our website www.kentpensionfund.co.uk to answer as many of their questions as possible however many still require a personal response. Emails are still growing as the preferred method of communication but this is still outstripped by the number of telephone calls received in the section, which averages at approximately 1780 each month.

6. The decrease in the number of deferred benefits shown in Appendix I for the years 2015/16 and 2017/18 is partially 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, however the main reason for the difference in the number of deferred benefits when compared to previous years is that due to increased workloads in other areas we have deferred benefit calculations that have not yet been processed.

ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

7. Appendix 2 shows the achievements of the section in meeting its KPIs for the year 2016/17 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, dependants 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 due to the changes to the scheme still impacting, especially with regard to data received from employers, and the requirement in the scheme regulations that annual benefit illustrations and deferred benefit updates have to be issued by 31 August, other areas of work have suffered.
11. KPIs during 2016/17 were also impacted by the late notification of actuarial guidance which the Secretary of State for the Department of Communities and Local Government (DCLG) obtains from the Government Actuary Department.

GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION

12. The option to contract-out of the State Second Pension (S2P) came to an end in 2016 when the Single State Pension was introduced.
13. When contracting-out ended in April 2016, HM Revenue and Customs (HMRC) 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.
14. 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.
15. The Kent Pension Fund, along with all other contracted out pension schemes, is therefore undertaking a project to reconcile the information held in-house with the information held by HMRC.
16. Due to the amount of work involved in undertaking the project and the existing workload pressures within the section it was decided to instruct a company that specialise in GMP reconciliation to undertake the project.

17. Due to the costs involved it was decided to appoint the company by using the National LGPS Framework for Third Party Administration Services established by Norfolk CC.
18. Following the publication of the specification and tender details we have had 6 responses to the invitation to tender and an evaluation process with regard to these processes will now be undertaken.

PENSION ADMINISTRATION SOFTWARE PRODUCT

19. The pension section currently uses a product named Altair, owned and developed by Aquila Heywood, to administer the pension schemes. The contract with regard to the software product is currently renewed on an annual basis.
20. The Altair product is used by the majority of administering authorities to administer the Local Government Pension Scheme.
21. A recent productive and informative meeting was held with Aquila Heywood in order to extend the contract term for the Altair products and the Hosting services. Aquila Heywood are keen to mobilise their knowledge and experience to ensure that they support Kent County Council to improve the overall service provided to scheme members and employers.
22. Members will be kept informed of the progress of these discussions

RECOMMENDATION

23. The Board is asked to note this report.

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Tasks created in key administration areas
Workload summary

Case Type	2012/13	2013/14	2014/15	2015/16	2016/17
Benefit calculation	2056	1978	1928	1766	2238
Correspondence	1152	1467	3450	4719	5370
Divorce case	351	312	293	385	381
Estimate calculation	2672	2861	2541	2810	3145
Deferred benefit	4769	5244	2475	993*	1357*
Transfer in	365	374	189	204	286
Transfer out	403	478	558	651	644
Dependants	305	364	323	377	410
Total	12,073	13,078	11,757	11,905	13,831

*This represents the number of leavers that have been identified as deferred benefits and have been processed. It does not include members who have left the scheme where we have still to process the leaver

Appendix 2

Achievements against Key Performance Indicators

Case Type	Target Time	12/13		13/14		14/15		15/16		16/17	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	2056	99%	1978	99%	1928	99%	1766	96%	2238	95%
Calculation and payment of dependant benefit	15 days	305	99%	364	99%	323	87%	377	86%	377	95%
Calculation and provision of benefit estimate	20 days	2672	99%	2861	98%	2541	63%	2810	62%	2810	67%
Reply to correspondence	15 days	1152	99%	1467	99%	3450	98%	4719	98%	4719	99%

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