

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

To: Superannuation Fund Committee – 17 November 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)
- CIPFA Benchmarking Survey Results 2017
- Monthly submission of employer data
- Staff resource

FOR DECISION

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 together with the 6 month position as at September 2017.
3. The majority of work categories remain at similar levels when compared to 2015/16.
4. When comparing work levels to 2013/14 the marked difference is with regard to the level of communications and enquiries. As reported previously this is partially due to the increasing profile of 'pensions' in the media and the general culture of seeking direct clarification with regard to pension questions. We encourage members of the scheme to visit our website www.kentpensionfund.co.uk, with an average of 9000 visits each month, 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 1610 each month.
5. 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)

6. Appendix 2 shows the achievements of the section in meeting its KPIs for the 6 month period ending with September 2017 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. 3 categories of work show a continuation or improvement in the percentage achieved in 2015/16 within the KPI 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.

CIPFA BENCHMARK SURVEY RESULTS 2017

9. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
10. The survey this year compared our costs with those of 30 other administering authorities.
11. Appendix III shows our performance against other authorities in a range of administrative areas. I have shown the Kent performance for 2015 and 2017 for additional information. Due to work constraints we did not take part in the survey in 2016.
12. The results place Kent 13th of the 30 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.
13. In comparison to other administering authorities our administration cost per member at £18.08 is lower than the average of £20.08.
14. Staff costs for 2017 remain higher than the average although lower than the figure for 2015 due to staff vacancies. In analysing the staff pay and staff experience breakdown provided it would appear Kent has 49% of staff with more than 15 years experience in Pensions Administration than other authorities which could explain the higher staff costs.
15. The report indicates that Kent has the 7th highest number of employers in the Fund when compared to the other 30 authorities.

16. The most significant variance is seen in the number of unprocessed leavers that we currently have when compared to the other authorities. This is as a result of the changes to the scheme from 2014, the added complexities to administering the scheme, the increase in communications and the statutory requirement to provide annual benefit illustrations by 31 August.
17. With the exception of this area of work In general terms I believe the results reflect well on our achievements particularly given, there is no 'quality' measure, built into the survey.

MONTHLY SUBMISSION OF EMPLOYER DATA

18. The administration of the Local Government Pension Scheme relies on accurate and current data supplied by scheme member's employers. For those scheme members joining and leaving the scheme specific data is required. In addition for every current member of the scheme, as at 31 March 2017 totalling 50,834 , information is required with regard to any changes to their data together with data, currently provided annually at year end, which is used to fulfil the statutory requirement to provide annual benefit illustrations (ABIs) by 31 August each year.
19. The requirement to receive specific accurate annual data with regard to scheme members in order to produce ABIs within this timeframe provides both employers and the pension section with additional and extreme workloads during the period from April to August each year which in turn impact on the pension section KPIs.
20. In addition because information is only supplied at year end this highlights information that should have been submitted by employers earlier in the year, for example new starters or joiners, which adds to the work to be completed during this short timespan and the added time taken by the pension section to chase the employers for this information.
21. The Pensions Regulator requires that all schemes hold accurate and current information with regard to the members of the scheme.
22. In order to reduce these issues we are looking to receive electronic submission of data from employers on a monthly rather than annual basis.
23. Heywood, the provider of the software that is used to administer the pension schemes, have developed a product, i-Connect, an automated data exchange portal that manages the flow of data securely between employers and the Fund on a monthly basis and therefore provides benefits to Pension Funds and employers .
24. i-Connect provides improvements in data quality and timeliness by automating the data gathering and validation process which in turns provides cost savings. It integrates fully with Altair, our software product to :-
 - provide straight through processing for submitting data
 - improve governance regarding contribution reconciliation
 - provide secure transfer of data to the pension fund

- remove the annual end of year return
 - cater for the CARE scheme
 - allow the pension fund system administrator to automatically create workflows based on each status change, update or data change
 - remove the audit risk of manipulating employer data
25. Heywood have prepared a business case and have calculated, based on their experience with other users, that in total i-Connect could save the Kent Pension Fund over £290,000 each year through the automation of data submission, reduction in errors and efficiencies realised in the existing annual reconciliation process.
26. The annual fee for providing i-Connect is £74,325.

STAFF RESOURCE

27. Appendix 4 shows the current structure of the Pension Administration team. Of the 57 FTE roles shown we currently have 8 vacancies.
28. This report shows that since the changes to the Local Government Pension Scheme in 2014, the additional complexities and the increase in communications from members of the scheme although we have kept pace in certain areas of our work, such as retirements, correspondence etc other areas have fallen behind and have resulted in backlogs of certain cases such as deferred benefits, amalgamation of pension membership etc also known as unprocessed leavers. The amount of these currently stands at 21495.
29. Within our current structure the backlog of these areas of work is increasing and causes problems with regard to the statutory obligation to provide members with details of their pension benefits as well as the Pensions Regulator's requirement.
30. The backlogs of work tend to be in the less technical areas of our work and are undertaken by our Pension Support Assistants. Therefore in order to deal with the backlogs of work we are looking to expand the number of permanent roles in this area by 4 FTE. The Pension Support Assistant is a Kent Grade KR4 with a starting salary of £16,968. This gives a total additional annual cost of around £90k.
31. These additional staff would be used to specifically target the backlog of areas of these areas of work. It is envisaged that when the staff are fully trained they should be able to clear approximately 7,000 of these cases in the first year together with dealing with new cases received.
32. Going forward, should agreement be given to new technology such as i-Connect described above, I envisage that additional existing staff can also be used to deal with these areas of work.
33. Due to the complexity of pensions work we would look to employ permanent rather than temporary staff. As has been reported previously the pension section suffer from a large turnover of staff and problems in recruiting staff and therefore should technology and changes to processes mean that future reductions in staffing are necessary we would look to deal with this by not recruiting to vacancies.

RECOMMENDATION

31. Members are asked to note this report.

- (1) Agree to the additional funding for the purchase of i-Connect.
- (2) Agree to the extra staff resource of 4 Pension Support Officers.

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

Case Type	2013/14	2014/15	2015/16	2016/17	6 months to September 2017
Benefit calculation	1978	1928	1766	2238	1033
Correspondence	1467	3450	4719	5370	2625
Divorce case	312	293	385	381	184
Estimate calculation	2861	2541	2810	3145	1671
Deferred benefit	5244	2475	993*	1357*	786*
Transfer/Interfunds in	374	189	204	286	106
Transfer/Interfunds out	478	558	651	644	355
Dependants	364	323	377	410	242
Total	13,078	11,757	11,905	13,831	7002

*These represent 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

Achievements against Key Performance Indicators

Case Type	Target Time	13/14		14/15		15/16		16/17		6 months to September 2017	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	1978	99%	1928	99%	1766	96%	2238	95%	1033	98%
Calculation and payment of dependant benefit	15 days	364	99%	323	87%	377	86%	410	95%	242	99%
Calculation and provision of benefit estimate	20 days	2861	98%	2541	63%	2810	62%	3145	67%	1671	65%
Reply to correspondence	15 days	1467	99%	3450	98%	4719	98%	5370	99%	2625	99%

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

CIPFA Administration Benchmark Survey 2017

	Kent Pension Fund		Average over all participants 2017
	2015	2017	
Total administration costs per member	£14.97	£18.08	£20.08
Staff costs per member	£9.17	£9.02	£8.81
Payroll costs per member	£1.59	£1.52	£1.34
Communication costs per member	£1.96	£0.72	£0.87
Number of LGPS Employers	-	422	308
Leavers unprocessed/in progress	7.4%	12.7%	3.3%

PENSIONS ADMINISTRATION TEAM

