

By: Chairman Superannuation Fund Committee  
Corporate Director of Finance

To: Superannuation Fund Committee – 21 June 2019

Subject: **PENSIONS ADMINISTRATION**

Classification: Unrestricted

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

- Workload position
- Achievements against Key Performance Indicators (KPIs)
- CIPFA Benchmarking Survey Results 2018
- Preparation for Fund Valuation

## **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.

### **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 levels when compared to 2017/18 and overall when comparing the work completed in 2014/15 to 2018/19, work completed has increased by 54%.
4. As reported previously the category where there is the most marked increase, when compared to 2014/15, is regarding communications to the section. Emails and written correspondence increased to 5789 during 2018/19, with the peak months being July through to September, and the quietest December. The peak months are probably as a result of communications to deferred and active members of the scheme regarding the current value of their pension benefits which then raise questions. We encourage members of the scheme to visit our website [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk), with approximately 110,000 visits in 2018/19, to answer as many of their questions as possible however many still require a personal response. These figures do not include telephone calls received in the section, which averages at approximately 1630 each month.

5. The increase in the number of pension benefits paid during the year 2018/19 is likely to be due to the scheme regulations changing in May 2018 to allow former members of the scheme, i.e. deferred beneficiaries, to access their pension benefits from age 55 without their employer's consent. Previously this option had only been available to those that had left the scheme after 1 April 2014 but was now opened to all deferred beneficiaries. This new option was communicated to these scheme members in June 2018 with an increase in those seeking information and taking up this option.
6. The increase in the number of deferred benefit calculations shown in Appendix I for 2018/19 is as a result of us increasing the amount of resource in this area to help to alleviate the backlog of these cases built up over the previous years. However, backlogs still exist in this area and work continues to try to lessen the amounts before the valuation of the Fund takes place.

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

7. Appendix 2 shows the achievements of the section in meeting its KPIs for the year 2018/19 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. 3 categories of work show a KPI percentage within the agreed target however as a result of concentrating efforts on certain 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, the turnaround of estimates and other areas of work have suffered.

### **CIPFA BENCHMARKING SURVEY RESULTS 2018**

10. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
11. The survey in 2018 compared our costs with those of 31 other administering authorities.
12. Appendix 3 shows our performance against other authorities in a range of administrative areas. I have shown Kent's performance for 2017 and 2018 for comparison.
13. The results place Kent 10<sup>th</sup> of the 32 authorities (1<sup>st</sup> being the lowest) in terms of the cost of administration per member of the scheme.
14. In comparison to other administering authorities our administration cost per member at £17.18 is lower than the average of £21.46.

15. Staff costs and communication costs per member are on a par with the average although as members will be aware, we have and remain understaffed regarding our structure and therefore if fully staffed it is likely that our staff costs would exceed the average. The payroll cost per pensioner is higher than the average and detailed discussions are being undertaken with Cantium Business Solutions, who provide the pension payroll function, with regard to the breakdown of their costs and initiatives, like the introduction of member self service, would bring down the costs of providing payslips etc to pensioners, which are included in these costs
16. The report indicates that Kent has the 9<sup>th</sup> highest number of employers in the Fund when compared to the other 31 authorities.
17. 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. Work is being undertaken to process these cases and more information regarding this is detailed below.
18. 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.

## **PREPARATION FOR FUND VALUATION**

19. In preparation for Barnett Waddingham undertaking the scheme valuation, and due to our problems in recruiting and retaining staff, various initiatives have been undertaken in the last 12 months to assist with clearing outstanding cases. During last summer temporary staff were employed and in the autumn several staff from Barnett Waddingham assisted with clearing cases.
20. However it soon became apparent that due to the number of cases outstanding additional help was needed and at the Superannuation Committee meeting, that took place on 16 November 2018, agreement was given for the Fund to call off from the Norfolk Framework to engage with a company to help to clear backlog cases.
21. The expectation was that the company could help to clear 10,000 cases before the scheme information for the valuation had to be sent to the scheme actuary at the end of July 2019. Two companies on the framework responded to the option however it soon became apparent that neither company could commit to clearing 10,000 cases within the timeframe.
22. It was therefore decided to engage with both companies, Independent Transition Management and JLT Employee Benefits, both of which have been allocated 5000 cases. These cases include deferred benefits, refunds of contributions and aggregation cases. Some of the cases have the information available in order to proceed, others require information from the scheme member's former employer, which the companies are required to obtain where possible.

23. In order to clear the cases, the companies received training from the Pensions Section regarding processes. Work is progressing on the cases with weekly update calls and reports being provided. Updates on the number of outstanding cases are provided to Barnett Waddingham on a regular basis.
24. The companies are experiencing the same problems as the Pension Section has in obtaining leaver information from the former employers but contacts have been made and it is hoped that information will be provided in order that the cases can be completed within the timeframe.

### **RECOMMENDATION**

25. Members are asked to note this report.

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

<b>Case Type</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Benefit calculation	1928	1766	2238	2008	2591
Correspondence	3450	4719	5370	5339	5789
Divorce case	293	385	381	329	398
Estimate calculation	2541	2810	3145	3025	3681
Deferred benefit	2475	993*	1357*	1720*	3914
Transfer/Interfunds in (including quotes)	189	204	286	422	432
Transfer/Interfunds out	558	651	644	859	788
Dependants	323	377	410	578	529
<b>Total</b>	<b>11,757</b>	<b>11,905</b>	<b>13,831</b>	<b>14,280</b>	<b>18,122</b>

\*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	14/15		15/16		16/17		17/18		18/19	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	1928	99%	1766	96%	2238	95%	2008	98%	2591	96%
Calculation and payment of dependant benefit	15 days	323	87%	377	86%	410	95%	578	99%	529	97%
Calculation and provision of benefit estimate	20 days	2541	63%	2810	62%	3145	67%	3025	72%	3681	72%
Reply to correspondence	15 days	3450	98%	4719	98%	5370	99%	5339	99%	5789	100%

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

## CIPFA Administration Benchmark Survey 2018

	Kent Pension Fund		Average over all participants 2018
	2017	2018	
<b>Total administration costs per member</b>	£18.08	£17.18	£21.16
<b>Staff costs per member</b>	£9.02	£9.21	£9.04
<b>Payroll costs per pensioner</b>	£6.67	£8.68	£4.89
<b>Communication costs per member</b>	£0.72	£0.62	£0.75
<b>Number of LGPS Employers</b>	422	428	357
<b>Leavers unprocessed/in progress</b>	12.7%	12%	3.2%