

Pensions Administration Performance

Contact Officers

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Papers with this report

None

SUMMARY

This report summarises pension administration performance across key areas of work for the period 1 July 2013 to 30 September 2013. There has been a marked and ongoing fall in Capita's overall performance and this report details the specific management actions underway to address this poor performance.

RECOMMENDATION

That the contents of the report be noted

BACKGROUND

On 1 April 2012, Pensions Administration was outsourced to Capita Employee Benefits (CEB), as part of a pan London Framework Agreement, delivering potential annual savings in administration costs of 27% to the pension Fund. Their performance is reported monthly to the Corporate Pensions Manager who monitors performance against the service level agreement contained within the Framework Agreement, based on national targets set for England and Wales. Comparisons, by performance indicator for the year 2012/13 against 2011/12, were included in the Annual Report for the Fund and showed a significant improvement.

This is the sixth report since CEB became responsible for pensions administration. Within the framework agreement there is a table of performance targets which CEB report against on a monthly basis. The targets are measured in working days for each function performed as part of the administration function. The contract sets the performance standard at 100% and performance levels are analysed to ensure performance achieves the required level.

PERFORMANCE FOR THE QUARTER TO 30 SEPTEMBER 2013

Reports on performance for the quarter to 30 September 2013 indicate an overall average performance of 76.47% per month over the quarter. Actual performance for each month was:

July - 93.87%; August - 72.03%; and September - 59.97%

The details of performance by task area are shown in the table attached. Average performance over the quarter has deteriorated significantly compared to the previous quarter which reported performance of 94.16%, a reduction of 17.7%. However, the continuing downward trend is of particular concern. Further analysis has been

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undertaken on September's performance and this is detailed in the final section of this report.

MANAGEMENT ACTION

As reported previously, Officers have been working closely with Capita to understand what is causing them problems with the management of the Hillingdon contract and to assist them in improving the quality of the data they maintain.

Capita have recently gone through a re-organisation of both their staff and processes which has contributed to the drop in the level of performance. Underperforming managers and staff have now left the organisation and they are introducing improved levels of management control. Whilst assurances have been given that the changes made, and those to be implemented, will ensure that the overall performance levels will return to the levels required within the framework agreement, further management action is needed by Hillingdon to ensure that this does happen. A recent appointment of a very experienced LGPS Pensions Manager should help to drive forward the improvements.

For the foreseeable future, Officers will continue to make regular visits to Capita offices to monitor progress of work and the development and maintenance of the Hillingdon database. Remote access to run reports on the CEB system has now been achieved and as a result much closer contract management and monitoring is now in place. Officers have the ability to check where specific cases are at in the Capita processes and to monitor all aspects of the administration.

Officers have been working closely with Capita to help improve the quality of their data, assisting with data cleansing and identifying problems with the data which can then be quickly amended. In addition, a meeting with HR and the Capital pension team has helped develop a better understanding of each others' priorities and a closer working relationship.

September Performance - Analysis of Activity by Type

Some further analysis has been undertaken on the September performance to add context and to identify if there are any recurring underlying issues.

Condolence Letter (80%): One of the key performance indicators where 100% performance is expected. During September there was 1 case where a Condolence Letter was not sent out within 3 days. This related to a death notified to Capita by The Teachers Pension Scheme administrators, but no information was supplied regarding the Next of Kin. On investigation, it was found that there was no spouse's pension due.

Actual Retirement Benefits (72.41%): 8 retirement cases were calculated outside of the 3 day period, the latest case being processed 7 days after the retirement date. Two of these cases involved other employers within the LB Hillingdon fund, who did not inform Capita of the employee's retirement until the employees last day of

service. As a result Officers have contacted the employer concerned and have instructed them to inform Capita of all impending retirements as soon as the retirement date is known. The other 6 cases were completed within 5 working days, 2 days over target.

Process Refund (65.52%): 10 cases were processed after the due date, the longest taking 13 days to process. Capita have amended their task management system to ensure cases are concluded within the set target.

Answer General Letter (68.04%): 31 cases took longer than the target 5 days. On investigation, it was discovered that the response was often drafted by a case worker but the manager tasked with checking the correspondence did not complete the task within the time limits. Changes to Capita processes have been suggested to amend their system to flag tasks nearing the deadline to the Pensions Manager as well as to the team supervisor to ensure that checking actions are completed on target.

Calculate/Notify Deferred Benefits (65.52%): 19 late cases. This activity is lowest in priority terms however, an action plan has been drawn up by Capita to ensure better performance in this area going forward.

Estimate of Retirement Benefits (57.14%): 4 cases took longer than 5 days to complete and this is another area of high priority and crucial to good relations with HR. All future estimates will be closely monitored to ensure time limits are complied with. The longest case took 8 days to complete.

Transfer Out Quotes (90%): There was only 1 late case.

New Entrants (56.45%): 70 cases took longer than 20 days to be set up. This is a major cause of concern, particularly as there were also 125 late cases in August. The severe drop in performance was directly due to the practises of one senior member of the team dealing with the Hillingdon contract. This member of staff is no longer employed by Capita and additional resources have been assigned to this particular task to ensure that the performance target is improved going forward. Although records were not created on time, the contributions due for these employees were deducted and received in the pension fund on time.

Added Years (71.43%): 5 cases took over 10 days to complete. These cases were given a low priority within the Capita workflow system. Whilst this is acceptable in the short term, a process needs to be developed to ensure that they are not delayed for too long a period.

Much of the management action has only been agreed over the last few weeks and so an improvement was not seen in the October performance figures, which reported an overall figure of 51.05%. However, it is hoped that November will have improved and a verbal update will be provided at the meeting.

Management Fee Rebate

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Within the framework contract there is an underperformance “claw back” arrangement, such that should performance across a contractual year fall below 100%, a monthly reduction would be applied to the monthly contract fee.

During a meeting in June when the annual rebate for 2012/13 was agreed, it was also agreed that going forward, performance would be monitored and assessed on a monthly basis and any rebate calculated and repaid the following month. The maximum rebate which can be applied is 10% of the monthly management fee. In both August and September the full 10% was applied to the monthly management fee of £4,673.80, equating to £934.76.

PENSIONS ADMINISTRATION PERFORMANCE
July to September 2013

WORK TASK	ACTION REQUIREMENTS	JULY 2013		AUGUST 2013		SEPTEMBER 2013	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	10	100	10	100	5	80.00
Actual Retirement Benefits	3 Days	36	88.88	32	90.61	29	72.41
Letter notifying Dependants Benefits	5 Days	3	100	10	100	0	0
Process Refund	10 Days	56	96.43	32	93.75	29	65.52
Transfers in Actual	10 Days	0	0	1	100	0	0
Transfers in quote	10 Days	0	0	5	100	0	0
Answer General Letter	5 Days	86	88.37	85	88.24	97	68.04
Calc/Notify Deferred	15 Days	26	100	30	93.33	29	65.52
Estimate of Retirement Benefits	5 Days	22	95.45	23	91.30	7	57.14
Transfers Out Quote	5 Days	4	100	5	80.0	10	90.00
Transfers Out Actual	9 Days	0	0	0	0	0	0
New Entrants	20 Days	10	100	214	58.41	124	56.45
Added Years	10 Days	21	90.48	0	0	7	71.43

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