

Administration Report

Contact Officers

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Papers with this report

SUMMARY

This report provides an update on the outsourced Pensions Administration contract, the latest pension administration performance data, and early retirements in the last quarter of 2013-14. Performance targets were agreed as part of the service level agreement with Capita and conform to national targets set for England and Wales.

RECOMMENDATIONS

It is recommended that Pension Committee:

- 1. Note the ongoing Officer action in relation to the Capita Pensions Administration contract.**
- 2. Review the latest administration performance statistics.**
- 3. Note the latest information in respect of early retirements and communications.**

1. Update on the Pensions Administration Contract

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. The Framework contained performance levels expected to be delivered. These levels have declined over the last year, and data quality issues have also been raised.

Previous reports to Pensions Committee have highlighted officers concerns with the management of this contract by CEB and assured Pensions Committee that action would be taken to address the issues.

A contract review meeting was held on 10 April 2014 with the Capita managers responsible for the contract to emphasise Hillingdon's concerns. In particular they were informed that the quality of the Hillingdon data had deteriorated considerably from transfer and that confidence in their ability to maintain Hillingdon's data was reducing. Further, concerns were raised about the low number of staff they had working on the Hillingdon contract, evident from the falling monthly performance figures. Officers made it clear that administration must improve and that by the end of this calendar year, 2014, all data issues should be resolved and all performance levels should be exceeding 95%.

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At the meeting It was agreed CEB would provide a recovery plan, detailing how and when they would bring both their performance up to an acceptable level and return the data held back to the same quality as it was before the transfer.

The recovery plan, which is now in place, identifies measurable milestones and daily reports from CEB are being received indicating cases due to be completed that day, and cases outstanding from the previous working day. The reports are being actioned daily to monitor progress, to undertake spot checks on the actions taken and to ensure that all death cases are fully tracked to ensure timely dispatch of information. Within the recovery plan there are targets for the number of cases to be completed monthly, which will enable the full membership update to be tracked.

Early performance is not encouraging, although recovery action during May did improve a little. Progress against the recovery plan will be closely monitored and the Corporate Director of Finance will be kept up to date. Progress will also be reported to both Investment Sub Committee and Pensions Committee.

2. Administration Performance Information

Performance is reported monthly and monitored against the service level agreement contained within the Framework Agreement. Targets are measured in working days for each function performed as part of the administration contract, against a target of 100%.

Performance statistics for the last six months are detailed below, which clearly showed a marked improvement over the last quarter of the 2013/14 financial year.

- October - 51.05%
- November - 45.03%
- December - 88.33%
- January - 88.19%
- February - 84.25%
- March - 89.71%

Over the quarter, overall average performance was 87.38% per month, an improvement of 25.94% per month over the previous quarter.

Details of performance by area are shown in the table attached. The performance in respect of sending condolence letters continues to be an area of high concern and officers are now monitoring all notifications of Deaths on a daily basis, to ensure CEB improve their performance in this area immediately.

- There were 66 reported death cases in the last quarter, which is higher than usual (in the previous quarter there were 19 cases), however, in this area performance should be at 100%.
- There were 84 Notification of Dependents Benefits due to be sent out in the last quarter, of these 30 were sent out late. All but 2 of these cases were

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completed within 7 days, however 1 was completed after 9 days and the longest delay was 12 working days.

- Deferred Benefits were also a concern. Of the 179 cases, 49 were over target. Whilst this area is lower in priority than immediate payment of benefits, an achievement of only 45% against target is not acceptable.

Within the framework agreement, CEB allowed for 100% performance against agreed tasks. As this level of performance has not been achieved, their monthly fees will be reduced by the maximum allowable under the contract, resulting in a rebate of 10% of the monthly contract charge.

Capita are aware that any impact on performance from the recovery plan will not be acceptable, a continued improvement in performance going forward is required.

3. Early retirement statistics & costs monitor

The table below shows the number of employees, by category, whose LGPS benefits have been put into payment. In the case of redundancy and efficiency this relates to employees over 55 years of age.

	Redundancy	Efficiency	Ill Health	Voluntary over 60
2010/2011	20	0	11	34
2011/2012	65	0	12	24
2012/2013	23	0	6	14
2013/2014 - 1 st qtr	3	0	0	11
2013/2014 - 2 nd qtr	8	0	2	14
2013/2014 - 3 rd qtr	30	0	0	8
2013/14 - total	50	0	3	45

As a result of a key recommendation by the Audit and Accounts Commission, local authorities were advised to calculate and monitor early retirement costs as they occurred within the LGPS between formal triennial valuations. This authority took the decision, in agreement with the fund actuary, to increase the employer's contribution rates as prescribed in the last valuation by 1%, effective from 1 April 2011, to meet anticipated early retirement costs. This 1% employer's contribution was locked in to the rate until March 2014.

This report compares actual costs of early retirements against the additional 1% contributions paid into the Fund 3 year valuation period.

Detail for Valuation Period 01.04.2011 to 31.03.2014

	Capital Cost of early retirement to the fund £000s	Payroll Total £000s	Cost as a % of payroll
2011/12	£1,108	£102,450	1.08

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2012/13	£983	£95,114	1.03
2013/14	£900	£98,260	0.92
Average over previous valuation period			0.59

The payroll total figure above is based on the Employers Contributions reported in the Pension Fund Annual Report and Accounts as at 31 March 2014. The Payroll total for 2013/14 has increased, this is due to the higher number of pension scheme members resulting from the Auto Enrolment exercise in February 2013.

4. Communications Update

As part of the framework agreement, an Employees website has been developed, which will allow all scheme members read only access to their own pension record and will also allow members to download and print forms from the website. All previous CEB issued Annual Benefit Statements will be accessible. Testing has now been completed and login details will be sent out to all active scheme members shortly. Deferred members and Pensioner members will be sent details of the website, together with login details later in the year.

FINANCIAL IMPLICATIONS

The cost to the pension fund of early retirements on the grounds of ill health, is recorded by the pensions administration system and reported to the scheme Actuary. The cost includes the benefits being paid before the employees normal retirement date and any period of service awarded. Depending on which tier the retirement falls in to, determines the length of service to be awarded. Details of the service to be awarded against each Tier are shown above. All Employers within the fund have a notional budget built in to their Employers Contribution Rate to fund ill health retirements. If the notional figure is exceeded, this will result in an increase to that Employers Contribution Rate, at the next valuation of the fund.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

**PENSIONS ADMINISTRATION PERFORMANCE
JANUARY 2014 TO MARCH 2014**

WORK TASK	ACTION REQUIREMENTS	JANUARY 2014		FEBRUARY 2014		MARCH 2014	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	25	68.00	24	58.33	17	76.47
Actual Retirement Benefits	3 Days	50	96.00	48	93.75	32	93.75
Letter notifying Dependants Benefits	5 Days	15	80.00	42	64.29	27	55.55
Process Refund	10 Days	23	91.30	37	97.30	37	94.59
Transfers in Actual	10 Days	6	83.33	5	100.00	10	100.00
Transfers in quote	10 Days	13	84.62	7	100.00	13	76.92
Answer General Letter	5 Days	211	84.83	219	88.13	205	93.17
Calc/Notify Deferred	15 Days	62	87.10	61	83.61	56	45.00
Estimate of Retirement Benefits	5 Days	47	91.49	44	81.81	25	88.00
Transfers Out Quote	5 Days	12	91.67	8	75.00	4	75.00
Transfers Out Actual	9 Days	4	75.00	16	56.25	7	85.71
New Entrants	20 Days	74	100.00	74	98.65	92	98.91
Added Years	10 Days	0	n/a	0	n/a	0	n/a

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