SURREY COUNTY COUNCIL

SURREY PENSION FUND COMMITTEE

DATE: **13 NOVEMBER 2015**

LEAD OFFICER: **SHEILA LITTLE, DIRECTOR OF FINANCE**

SUBJECT: **KEY PERFORMANCE INDICATORS & ADMINSTRATION UPDATE**

SUMMARY OF ISSUE:

In line with best practice, Surrey Pension Fund Committee members will be supplied with Pension Fund key performance indicators (KPIs) on a quarterly basis, covering investment and administration practices. This paper also includes an update on administration issues

RECOMMENDATIONS:

It is recommended that the Surrey Pension Fund Committee note this report and the KPI statement shown in Annex 1.

REASON FOR RECOMMENDATIONS:

To comply with best practice.

MATERIAL CHANGES FROM THE LAST REPORTING PERIOD (30 JUNE 2015)

1 There is one funding category and 12 administration categories that report changes over a three-month period as measured against their target.

2 The funding category has shows a detoriation as compared with the previous three-month reporting period and the target performance level.

3 Of the 12 administration categories, four show a detroriation as compared against the previous three-month reporting period and three show an improvement. Five categories failed to meet the performance target and six exceeded the performance taget in the reporting period.

4 KPI number eight confirms that the administration costs per member remains in the lowest CIPFA benchmark quartile, as measured in the 12 months from 31 March 2014.

DETAILS:

Requirement

5 In line with best practice, future Pension Fund Committee meetings will continue to be supplied with a schedule of Pension Fund key performance indicators (KPIs), covering investment and administration practices.

Key Performance Indicators

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6 The current KPIs cover the following areas:

- Funding level;
- Death benefit administration;
- Retirement administration;
- Benefit statements;
- New joiners;
- Transfers in and out;
- Material posted on website;
- Employer and member satisfaction;
- Investment performance;
- Data quality;
- Contributions monitoring;
- Audit;
- Overall administration cost;
- Scheme membership;
- Empployer membership.

7 To provide the committee with a overview of the number of administration cases completed in the three-month reporting period, this number is now included in the KPI schedule.

8 The KPI schedule to 30 September 2015 is shown as Annex 1.

9 Periods covered in the schedule range from one month, three months and twelve months.

10 Members are invited to discuss the performances set out in the schedule.

Update on administration issues

(i) The abolition of contracting out in defined benefit pension schemes

11 On the 6 April 2016, the new State Pension will replace the existing basic and additional State Pension and will bring to an end contracting out and the National Insurance (NI) rebate. This means that from April 2016, all employers and employees will pay the standard rate of NI contributions instead of the contracted out rate.

12 Assuming current rates of NI, this will mean an increase in NI contributions of 3.4% for employers and 1.4% for pension scheme members.

13 We will be communicating further with employers and members regarding the impact of these changes.

14 With the abolition of contracting out, the facility provided by HMRC for processing Guaranteed Minimum Pensions (GMP) will also disappear.

15 GMP is a benefit, broadly integrating with the state pension, so that state pensions are reduced by the GMP amount expected to be paid by the pension scheme.

16 The GMP reconciliation is a project comparing the scheme's GMP information with that held by HMRC. It investigates any discrepancies between the two sets of figures, so that both parties end up with consistent GMP data and benefit records.

17 The Pension Service received data from HMRC and has commissioned a third party contractor (ITM Group) to conduct a high level analysis.

18 Results of this analysis are expected by December 2015 and will inform the next steps.

(ii) Annual benefit statements 2015

19 On 6 August 2015, an email was sent by the Local Government Pension Committee (LGPC) Secretariat to administering authorities in England and Wales, requesting information on the number of 2015 annual benefit statements they expected to issue prior to this year's deadline of 31st August 2015, and the issues that have made this years' deadline particularly challenging.

20 The main issues noted in the responses concerned late/incorrect data submitted by employers, pensions software issues and internal resourcing issues caused by both cuts and a general increase in the workload of the pensions function.

21 The LGPC shared these concerns with the Pensions Regulator (tPR), with funds (including Surrey) self cerfifying to tPR that they had failed to meet the 31 August 2015 statotory deadline. The Regulator responded on 9 October 2015, acknowledging the difficulties faced by funds in meeting the statutory deadline due to the introduction of a new benefit design, but with an expectation that all statements to be issued by at least 30 November 2015.

22 The Pension Service has now issued annual benefit statements for all employers who submitted timely and clean data. For employers on SAP (including Surrey County Council, academies and further education colleges), there has been a significant delay in the Fund obtaining the necessary 2008 scheme and 2014 scheme pay figures. Some of these returns were not received until October 2015 and, as a conserquence, a second tranche of statements will be produced in mid-November 2015.

23 The Pension Service does not envisage that it will breach the 30 November 2015 Regulator expectation for 2014/15 statements, or the statutory deadline of 31 August 2015 for future annual benefit statements.

CONSULTATION:

24 The Chairman of the Surrey Pension Fund Committe has been consulted and has offered full support regarding the content, structure and performances achieved set out in the schedule.

RISK MANAGEMENT AND IMPLICATIONS:

25 There are no risk related issues contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

26 There are no financial and value for money implications.

SECTION 151 (DIRECTOR OF FINANCE) COMMENTARY

27 The Section 151 (Director of Finance) is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed and that the current KPI model offers an effective framework for the monitoring of the essential pension fund KPIs.

LEGAL IMPLICATIONS – MONITORING OFFICER

28 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

29 The reporting of such information will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

30 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

31 The following next steps are planned:

- Continued improvement in the key performance indicators.
- Further refinement and additions of useful data.
- Review of KPIs in accordance with future guidance from the Scheme Advisory Board and Local Pension Board.

Contact Officer:
Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:
Surrey Pension Fund Committee Chairman.

Annexes:
Annex 1: Schedule of Key Performance Indicators

Sources/background papers:
Letter from Joey Patel of tPR to Jeff Houston of LGPC, 9 October 2015
