

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**DATE:** **23 SEPTEMBER 2016**

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

**SUBJECT:** **KEY PERFORMANCE INDICATORS AND ADMINISTRATION  
UPDATE**



**SUMMARY OF ISSUE:**

In line with best practice, 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 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 (31 MAR 2016)**

- 1 There is one funding, one investment performance, and ten administration categories that report changes over a three-month period as measured against their target.
- 2 The funding level category has shown a 13.6% increase as compared with the previous three-month reporting period and the target performance level
- 3 The contributions received category has achieved a 98% performance when measured against the new target of 100%, (recommended by the Local Pension Board and to more closely reflect guidance from the Pensions Regulator).
- 4 Of the 17 administration sub-categories, five show a deterioration as compared against the previous three-month reporting period and five show an improvement. Overall, seven administration categories failed to meet the performance target and six either met or exceeded the performance target in the reporting period.
- 5 The KPI number eight confirms that the administration costs per member remains in the lowest CIPFA benchmark quartile, as measured in the twelve-month period to 31 March 2016.

## **DETAILS:**

### **Requirement**

- 6 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**

- 7 The current KPIs cover the following areas:

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

- 8 In order to provide the committee with an overview of the number of administration cases completed in the three-month reporting period, this number is now included in the KPI schedule.
- 9 The KPI schedule to 30 June 2016 is shown as Annex 1.
- 10 Periods covered in the schedule range from one month, three months and twelve months.
- 11 Members are invited to discuss the performances set out in the schedule.

### **Update on Administration Issues**

#### **(i) The Pension Service Team's bid to join the Norfolk LGPS Framework**

- 12 In response to local authorities across the country experiencing problems with the resilience of their Pension Administration teams, Norfolk County Council has issued a tender for the provision of outsourced pension administration services to the LGPS.

- 13 There are very few suppliers that are currently looking to expand in this market and the signs are that this trend of consolidation will continue. The Pension Service Team (Orbis) is one of these few recognised suppliers in this rapidly evolving market.
- 14 Orbis is not looking to take on new contracts purely for the financial benefits, as this may expose it to risk. However, if its assumption of potential new contracts is priced appropriately and with all mitigating factors adequately considered, the Surrey Pension Fund can benefit from an increased strengthening of the Orbis team's experience, expertise and scalability. The cost of continuing to supply its own members with a pension administration service should reduce, and the quality of that service should improve.
- 15 Being part of the LGPS Framework does not commit Orbis to taking on any additional pensions administration work. It can be on the Framework and reject any request to take contracts if it wishes.
- 16 Orbis is not proposing to expand the number of pensions administration contracts they take on immediately. This framework tender will pave the way for future pensions administration growth in the coming years. This will give ample time for the implementation of the London Borough of Hillingdon contract, plus any existing challenges still to be resolved.

#### **CONSULTATION:**

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

#### **RISK MANAGEMENT AND IMPLICATIONS:**

- 18 There are no risk related issues contained within the report.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

- 19 There are no financial and value for money implications.

#### **SECTION 151 (DIRECTOR OF FINANCE) COMMENTARY**

- 20 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**

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

#### **EQUALITIES AND DIVERSITY**

- 22 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**

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

**WHAT HAPPENS NEXT**

24 The following next steps are planned:

- Continued monitoring of performance against the key performance indicators.
  - Further refinement and additions of useful data.
  - Future monitoring of KPIs in accordance with future guidance from the LGPS Scheme Advisory Board and the Local Pension Board.
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**Contact Officer:**

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

**Consulted:**

Pension Fund Committee Chairman.

**Annexes:**

Annex 1: Schedule of Key Performance Indicators

**Sources/background papers:**