

PENSION FUND COMMITTEE – 2 SEPTEMBER 2011

PENSION ADMINISTRATION – SERVICE PERFORMANCE

Report by the Interim Deputy Director for Oxfordshire Customer Services

Introduction

1. In recent years very little information has been presented to this Committee on the service standards and performance of the Pension Administration Team, now located in Oxfordshire Customer Services. Whilst much attention is given to the performance of the investment fund managers, no performance data has been regularly reported to the Committee.
2. Shortly after the Pension Administration team moved in January 2007 to what was then Shared Services, Members did receive a couple of short reports which set out the backlog of work facing the team, the impact on performance of this backlog, and the problems of high staff turnover following the move.
3. It is the Pension Administration team which provides the interface to the employers and to scheme members, so performance levels within the team directly impact on the key stakeholders.
4. This report therefore seeks to set out the progress the Pensions Administration Team has made since the difficult start in Shared Services, highlighting the improvements in the key performance measures, and the changes made within the team which led to these improvements.

Performance Data

5. At the point the Pensions Administration Team moved to Shared Services, performance management data was less well defined than it is today. It is therefore difficult to produce performance benchmarks from that period against which to compare today's performance standards.
6. What is clear from the data that has been retained from that time is that the team were working with over 7,000 active files, the majority of which had been with the team for some time.
7. To place this number in context, it should be noted that over 1,000 new files are created each month related to new starters, members wishing to transfer benefits in or out of the scheme, deaths, retirements, scheme leavers, requests for pension estimate data for employees/employers etc.
8. It should also be noted that over 5,000 of these active files related to scheme leavers, or re-employed staff where the delay in completing the

work was not critical in terms of pension payments etc. The main problems associated with the backlog of work were related to the Valuation process where the actuaries were required to work with incomplete data, and therefore make more assumptions than is normally the case, and in the provision of annual benefit statements to scheme members.

9. By the start of the last financial year, i.e. April 2010, the performance data systems in Pensions Administration had been significantly improved, and more meaningful data was available to management. This data showed that the team still had over 4,500 active files on which they were working on.
10. The files were also analysed between those completed or likely to be completed within agreed specifications, and those outside of the specified timescales. As at April 2010, only 30% of files were being completed within specification, although again it is worth noting that 90% of the files outside of specification related to leavers and re-employed staff.
11. As at 31 March 2011, the number of active files had been reduced down to 800. The number of files now completed or likely to be completed within specification has risen to 94%. The majority of the files outside specification related to members who had left the scheme.
12. This significant improvement in performance was a key reason for the success of the 2010 Valuation process, and the consequence saving on the Actuarial fees covered in the budget outturn report elsewhere on this agenda. The high performance standards now being reached are also reflected in the customer satisfaction scores for the team which regular report 90%+ satisfaction levels.

Key Changes which have Driven Performance Improvements

13. It is important to note that the backlog problem has not been addressed by either throwing money at the problem, or reducing standards.
14. The staffing establishment of the Pensions Administration Team has remained consistent since the transfer to Shared Services. We have benchmarked our costs through the CIPFA benchmarking exercises, and these have shown that costs per scheme member have below the average level for LGPS funds. The draft figures for 2010/11 suggest a cost per scheme member in Oxfordshire of £22.23 compared to an average figure of £22.68. (nb. these figures are subject to change whilst the publication is finalised, but are consistent with the verified figures from previous years).
15. In terms of standards, the Pensions Administration team have maintained within all processes a 100% check of all work. In most cases this involves a more senior member of the team reviewing the detailed calculations against a process checklist, as well as ensuring the calculation is consistent with the supporting evidence. We know that not all other funds have maintained checking at this level.

16. The main drivers to the improved performance have been a much more stable workforce (following the staff turnover in just under 50% of positions on or shortly after the move to Shared Services), a change in staff structure and the targeted support provided to employers.
17. The staff structure change saw a move from work on all functions being split across the team based on surname of the scheme member, to one where small groups took on responsibility for individual functions. This change allowed the new and inexperienced staff to focus on specific areas of work, reducing the overall training requirement. Each group also took on greater responsibility for delivering their functions, and as a consequence we have seen a very positive programme of continuous improvement, led by the staff as well as drawing on customer feedback.
18. Many of the processes and forms have now been streamlined and simplified, reducing errors in the initial submissions from employers and employees, as well as improving the efficiency of the process itself. In a number of cases we have moved away from handwritten forms to the electronic submission of data which has improved the standard of the information received, reducing the amount of re-work required, and the time spent on queries on individual member records.
19. Key to reducing errors in the initial submissions from employers has been targeted support to those employers with whom we have experienced some of the greatest problems. Staff from the Pensions Administration Team have met directly with the staff responsible to provide 1:1 support, as well as providing tailored training sessions.
20. The CIPFA benchmarking data still shows that the team in Oxfordshire is significantly less experienced than the average team (51% of the team have 1-5 years experience and 7% more than 15 years, compared to average figures of 26% and 30% respectively). This and the functional split does mean that the team is at risk from any significant staff turnover in the near future.
21. However, the team are at present still driving forward a number of further process improvements, and seeking to maintain and improve performance standards. This should hopefully be reflected in next years CIPFA benchmarking results when the full year effects of the improvements during 2010/11 will also become visible.

Recommendation

22. **The Committee are RECOMMENDED to note the report on performance in the Pensions Administration Team, and consider whether they wish to receive an annual report on performance at Committee meetings scheduled for the autumn.**

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Background Papers: CIPFA Benchmarking Reports 2009/10 and 2010/11
(draft)

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