

Report to: Pension Board

Date of meeting: 9 February 2017

By: Chief Operating Officer

Title: Officers' Report – Business Operations

Purpose: Update on current administration themes in relation to the service provided to the Pension Fund by Orbis Business Operations

RECOMMENDATIONS

The Board is recommended to consider and note the updates provided in the report

1 Introduction

1.1 Business Operations within Orbis has prepared this summary of topical administration areas that may be of interest to the Board. This report is provided for information and subjects are presented in alphabetical order and not perceived importance.

2 New Key Performance Indicators (KPIs)

2.1 The Board and Committee previously agreed to Business Operations proposals for an updated set of KPIs to provide full transparency of the scale of the scheme administration and to provide assurance of key standards and deadlines being met.

2.2 The new KPIs were operational from 1 October 2016 and Appendix 1 shows the individual months performance levels for Quarter 3 of 2016/17.

2.3 The performance levels of the team over Quarter 3 are generally high, though the Board is invited to comment on any areas of concern. A number of low priority tasks fell below previous levels in November and this is primarily a result of the temporary office disruption caused by the fire at County Hall. None of the reduced turnaround times for this set of tasks is likely to have any detrimental impact on scheme members.

3 CIPFA Benchmarking Exercise 2016

3.1 The Board will be aware that the East Sussex pension fund participates in an Local Government Pension Scheme (LGPS) administration benchmarking exercise on an annual basis in order to provide some assurance that the costs of administration are consistent with other local authority funds. The assessment is based on a review date of 31 March and the full 2016 report is attached as Appendix 2.

3.2 CIPFA has consulted widely with funds over the last few years to ensure there is a consistency of approach in the nature of the data being measured. The data elements are well defined in the completion of the questionnaire CIPFA provide and it is reasonable therefore to assume that the comparisons being made are valid, in spite of differences in the organisational structure of fund administrations.

3.3 A total of 38 of the 100 or so local authority funds (including Scottish funds) participated in the exercise and the average size of membership of the funds taking part was approximately 100,000. The membership of the East Sussex fund on 31 March was 70,820. It is reasonable to assume that those funds who choose to take part will, in the main, be the ones who consider their costs are competitive.

3.4 The headline figure of the total cost of administration per scheme member is shown on page 5 of the report and indicates that the cost for East Sussex was **£15.90**, which compares favourably with a national average of **£18.37**. The bar charts on pages 6 to 10 of the report

illustrate that the total cost per member puts the East Sussex fund just outside the bottom quartile for overall costs.

3.5 Further analysis of the charts on pages 6 to 10 reveals more detail in that the staffing administration costs for East Sussex are amongst the lowest across all participating funds with a cost per member of **£5.34** - compared with the average of **£8.62**. Page 13 of the report also highlights that the number of joiners and leavers to the fund, which directly impacts resourcing requirements, is higher for East Sussex than the average which reinforces efficiency of staffing levels.

3.6 The main costs that are higher than average are IT administration costs which are **£ 3.69** per scheme member compared with the average of **£ 2.78**. It is important to note these costs are based on the IT system costs for 2015/16 which was prior to the new contractual arrangement negotiated by Business Operations agreed by the Pensions Committee in March 2016. This new arrangement will reduce the IT system costs in future years.

3.7 Page 28 of the report shows a time series analysis back to 2011 for the East Sussex fund, demonstrating a lower cost per scheme member in 2016 than each of the four previously measured years. This has been achieved despite the additional administration burden of the introduction of the 2014 CARE scheme.

4 GMP Reconciliation Update

4.1 The Board was advised previously that HMRC will be closing their Guaranteed Minimum Pension (GMP) records in December 2018 and funds need to reconcile their GMP records against HMRC records before that date (assuming they wish to do so).

4.2 Business Operations has investigated the feasibility of recruiting specialist resource to consider carrying out this work in-house but there is a shortage of available skills in the market and this work will need to be offered externally.

4.3 Within the last couple of months, a national procurement framework for ancillary LGPS support services (including GMP reconciliation) has been established and Business Operations is working with procurement colleagues to present options to the Committee for approval for work to commence. The Board will be updated on progress at future meetings.

5. Conclusions and reasons for recommendation

5.1 The Board is recommended to consider and note the updates provided in the report.

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