

**Report to:** Pension Board

**Date:** 3 November 2015

**By:** Acting Head of Orbis Business Operations

**Title:** Officers' Report – Business Operations

**Purpose:** An update on the administration service provided to the Pension Fund by Orbis Business Operations

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**RECOMMENDATIONS - The Board is recommended to:**

- 1) note the update provided; and
  - 2) highlight any areas of particular interest for consideration at future Board meetings.
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**1 Introduction**

1.1 Business Operations within Orbis have 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 Administration Performance – Key Performance Indicators**

2.1 On a monthly basis, Business Operations reports its Key Performance Indicators (KPIs) focusing on the main areas of administration that affect scheme members. These have developed based on 'industry standard' performance indicators rather than any statutory requirements. The monthly KPI reports for August are attached as **Appendix 1**.

2.2 A slight increase in performance in a few areas is apparent and the overall impact of performance below 100% target level on certain tasks is deemed to be low because of the numbers involved and the average actual task completion times. As reported previously, the principal reason for not meeting 100% target levels in all cases remains staff shortages and recruitment to cover four vacant posts continues. It is hoped the forthcoming relocation of the Pensions team from Uckfield to Lewes will increase the capacity to attract experienced staff.

**3 Communications with members - Annual Benefit Statements 2015**

3.1 At the time of writing, the first tranche of Annual Benefit statements have been issued to scheme members, covering the majority of employers in the fund. Initial feedback regarding the new layout designed to present the information regarding both the 2008 Final Salary Scheme and the 2014 Care Scheme in a user-friendly way has been very positive.

3.2 The second tranche of 2015 statements covering the remaining employers is due to be issued at the beginning of November, in advance of the Pensions Regulator's final issue deadline of 30 November 2015. All employers in the fund have been advised of the current status of the statements relating to their members.

3.3 Business Operations will be putting plans in place to aim for completion of statements by 31 August in future years in line with statutory timescales.

#### **4 Pensions Administration system – Procurement - update**

4.1 As reported previously, the Orbis procurement team are undertaking a joint procurement exercise to determine the most appropriate system to adopt when the current licensing contract expires in April 2016. Negotiations are still being finalised and Business Operations now expect to provide a decision summary at the February Board meeting.

#### **5 Personal taxation – Annual Allowance (AA)**

5.1 Over the last few years the Government has taken a number of steps to increase tax revenue in relation to members' pension benefits, both through changes to the Lifetime Allowance and to the Annual Allowance (AA).

5.2 The AA is the annual limit on how much pension an individual can build up from all sources each year before they become subject to a tax charge. In the LGPS, benefits are measured for AA purposes between 1 April and the following 31 March each year. When it was introduced in its current format in the 2011/12 financial year, the AA was set at £ 50,000 but this was reduced to £ 40,000 with effect from 2014/15.

5.3 The AA rules do include provision to carry forward any unused allowance from the previous three financial years which meant that, until 2014/15, only a couple of members of the East Sussex fund were affected by the AA. The reduction in the AA from 2014/15 onwards has increased the numbers of members affected who will need to report a tax charge on their self assessment returns by 31 January 2016 and the cumulative effect of the reduction in the AA will be felt more keenly in future years. This will apply particularly to those members with long service and high incomes or promotions.

5.4 This is of course a personal taxation issue and should have no direct impact on the pension fund. It is not anticipated that the reduction in the AA will impact on the popularity of the LGPS at the present time.

#### **6. Conclusion**

6.1 The subject areas contained in this initial report are intended as background or the Board to assist in understanding current issues occupying the Orbis pensions administration team. We would be happy to consider the inclusion of any specific topics of interest in future.

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#### LOCAL MEMBERS

All

#### BACKGROUND DOCUMENTS

None