

Agenda Item 12

**Pension Committee
15 June 2023**

Pension Administration Review

Report of the Head of Pensions

Introduction

AON has been commissioned to undertake a review of the current administration service and Key Performance Indicators (KPIs) of the Fund, as part of the agreed governance review and additionally in response to the challenge from Committee at their recent meetings in relation to the performance against the current Key Performance Indicators (KPIs) of the Fund which have not been achieved constantly for a long period of time and Committees wish to understand the drivers behind this.

Process of Review

The scope of the AON review was as follows:

- Carry out a review of the current organisational structure of the pension administration team;
- Make recommendations to ensure the team can meet operational requirements and deal effectively with the increasing complexities of administration, both current and in light of future known legislative changes; and
- Assess the efficiency of the administration team through observing key processes and make recommendations to help the team meet the performance standards outlined in the Pensions Administration Strategy.

AON visited the Gloucestershire Pension Fund's (GPF) offices over a two-day period in late February 2023 to speak to staff, and they also gathered further information over email, which provided the basis for their final report.

Key Findings

AON's full report is attached as appendix 1, and provides detailed observations as well as recommendations for Committee to consider.

Agenda Item 12

AON do provide some important context in their opening introduction below:

“Our overall impression of the Gloucester Fund and the pensions administration team is that, whilst the current team is dedicated to providing the best possible service to members, it does not appear to have kept pace that well with other LGPS Funds in recent years. Whilst the LGPS (and the wider UK pensions landscape) have been rapidly evolving in the last 10-20 years, the Gloucester pensions administration team doesn’t appear to have kept up with these changes, both in terms of the increasing resourcing requirements and the development/usage of new systems and processes.

The resourcing issue was partially addressed in 2021 by increasing the team’s headcount (although this is necessarily a slow process due to the challenges of recruiting across the whole LGPS), but this was focussed on day-to-day operational aspects rather than wider spread changes needed as mentioned later. We talk about the potential team size needed later in this report, although given the scale of the recommended changes this will need to be reassessed in the future once a number of these changes have been made”

The summary of the key observations are as follows:

Structure

- Officers appear knowledgeable and dedicated, and we were told that teamworking and morale is generally good within the team.
- The team benefits from having several experienced officers with extensive expertise of LGPS administration.
- It appears that there has historically been a significant key-person risk in the reliance on the knowledge and expertise held by the former Pension Administration Manager.
- The team’s efforts are necessarily focused on completing their day-to-day work which has led to a lack of strategic and performance management focus.
- There appears to be a lack of dedicated resource in certain areas, including: – Data and systems
 - Employer support
 - Communications
 - Training and compliance
 - First response

Processes

- It was immediately evident that processes are far too dependent on manual printing and scanning, and that officers are spending a significant amount of time doing this rather than being able to spend time on casework.

Agenda Item 12

- There appears to be no formal process in place for the allocation and prioritisation of casework among officers, leading to inconsistency of approach across different areas.
- Performance monitoring processes, where they exist, are unusual and do not appear to provide sufficient data to easily keep track of the volume of cases being completed.
- Monitoring current workloads is difficult, largely due to not fully utilising the pre-existing facilities within the Altair system.
- Internal processes around address changes, signature matching etc, are time-consuming and unhelpful for officers and members.

Summary of recommendations

AON have provided a number of recommendations, which are contained in the main report, and these are recommended to be undertaken in phases

Phase 1 – Short-term

Structure

- Focus the team into three sub-teams covering:
 - Operations – Primarily responsible for processing benefit calculations
 - Data & Systems – Primarily responsible for updating member data, keeping processes up to date and maintenance of the Altair administration system
 - Communications & Contact – Primarily responsible for member communications, employer support and first response to queries
- Ensure the new structure covers areas that currently appear to be missing or are not being completed to a sufficient level, such as:
 - Employer liaison and support
 - Communications (members and employers)
 - Training (officers, members and employers)
 - Technical and regulatory compliance
 - First response to incoming queries

Processes

- Move away from the current paper-based processes by utilising the imaging and member document facilities within Altair.
- Develop the processes used to monitor casework levels and performance, for example by using Altair Workflow.
- Review the current performance measurement information reported to Pension Committee and introduce new KPI targets.

Agenda Item 12

Phase 2 – Medium-term

Structure

- Ensure all officers are trained (at the appropriate level) to carry out all the main tasks required within the administration team, to reduce the reliance on certain key people for certain areas.

Processes

- Ensure the procured pensions administration system is used to full capacity (e.g. document imaging, workflow reporting, bulk processes).
- Implement an employer data portal to receive monthly employer data and improve data quality.
- Implement a member self service system to provide an improved member experience and reduce some of the routine tasks currently carried out by officers.
- Implement processes to monitor workloads and performance (e.g. by using workflow reporting within the procured pensions administration system).
- Review and update the Fund's Administration and Communications Strategies.

Fund Objectives

One of the primary objectives as set out the Funds Business Plan is to

- Administer pension benefits in accordance with the LGPS Regulations 2013 (as amended)

The approach that the Fund will undertake that objective is then contained within the Pensions Administration strategy, Communications policy, as well as other policy documents, such as the Funding Strategy Statement and Governance Compliance Statements

The landscape of pensions administration has changed dramatically over the last few years and has presented a number of challenges, but the drive remains to deliver an administration service that is:

- modern and up to date, which is well positioned for future challenges (such as McCloud, Dashboard and other industry changes);
- provides excellent customer service to members and employers;
- is a compliant & secure service, with robust but efficient controls in place; and
- is cost-effective and provides good value for money.

Agenda Item 12

Analysis and Fund Benchmarking

As part of this review, the Fund has also undertaken some high-level benchmarking against three similar-sized Funds from within the Brunel Partnership.

Members/Employers

Fund	Total Scheme members*	Total Scheme Employers*
Oxfordshire	68,863	179
Wiltshire	84,438	189
Cornwall	57,380	223
Gloucestershire	63,251	214

**Information taken from 2021/2022 annual reports*

The information in the table shows the Fund is broadly comparable for the purposes of the peer group comparisons below.

Systems

Fund	Uses Employer interface?	Uses Member Self Service?
Oxfordshire	Yes	Yes
Wiltshire	Yes	Yes
Cornwall	Yes	Yes
Gloucestershire	No	No

Staffing (Administration team only):

Fund	Full-time Equivalent (FTE) Admin Staff	Scheme members per FTE (Admin)
Oxfordshire	37.75	1,824
Wiltshire	36	2,345
Cornwall	31	1,851
Gloucestershire	22.5	2,811

Although Committee approved an increase to staffing levels in 2021, this was focused on the immediate operational delivery needs of the Fund. The other Funds used for comparison purposes have already applied structures similar to that proposed which in the main accounts for the differences in the FTE comparison basis but also on the basis of scheme members per FTE role.

Agenda Item 12

GPF historical administration staff numbers

	2017/18	2018/19	2019/20	2020/21	2021/22
NUMBER OF FULL TIME EQUIVALENT PENSION FUND STAFF	14.9	14.6	14.9	15.5	14.4
TOTAL FUND MEMBERSHIP	59,768	60,134	60,417	61,896	63,251
NUMBER OF FUND MEMBERS TO ONE MEMBER OF ADMINISTRATION STAFF	4,011	4,119	4,055	3,993	4,392

The table above shows that before the recent increases in FTE roles, the Fund remained with low staffing numbers despite a rising membership.

Recommendation – Operational Resources

To develop the required team to deliver the three recommended sub-teams and to focus on the delivery of key stakeholders experience, the following additional roles are being initially required.

Job Level	Pay Grade	Purpose
Pension Group Leader (x1)*	9	To lead the Systems, Data & Projects or Communications/Employer Relations team.
Lead Pensions Officer (x2)	7	To support the Systems/Data or Communications group Leaders in deliver their functions
Pensions Officer/ Administration Assistant (x3)	5	

The additional roles above will require an annual staffing budget increase of £260,000 to cover the on costs of the additional 6 staff. Noting due to the time necessary to recruit, most of the impact of this budget increase will be on the 2024-2025 budget.

There remain 2 roles in the 2021 agreed additional resources which are currently being recruited to at Pension Group Leader and Lead Pension Officer levels.

The above additional roles and those already agreed, but yet to be recruit to, would increase the FTE to 30.5. This would still reflect a less than average FTE compared to other the other Funds used for comparison purposes, but officers wish to develop any additional future resourcing requirements in tandem with the development and integration of the use of technology.

Recommendation – Software

One of the core projects of the agreed business plan for 2023/24 is a procurement of an administration system. The Fund has a contract currently with Aquila Heywood in relation to their Altair administration system which is being extended to June 2024. The short term extension is to allow for the completion of this administration strategy review as it will inform the scope of the future service requirements. In addition the requirements for Pension Dashboard will be further known and can be included in a formal procurement exercise. The

Agenda Item 12

Fund will access the LGPS National Frameworks, which includes a framework for pensions administration systems. Should a new software supplier be appointed, there will be a significant amount of work required to migrate to the new system.

Whilst initiatives are in place to use the existing pensions administration system more efficiently immediately, support is sought to include the recommended functionality into the formal specification requirements of the procurement of a new administration system which will commence in September/October 2023.

Specifically, the procured specification should now additionally include over the current specification the following:

- member self service capability
- employer interface functionality
- workflow/work allocation and improved reporting ability.

Key Performance Indicators

AON also reviewed our current reportable KPIs as part of the review. Having appropriate KPIs and service standards is very important in providing a quality service to key stakeholders. Not only are there a number of requirements in legislation, the expectation of having appropriate monitoring and service standards is referred to in a range of national guidance, including both CIPFA guidance and the Good Governance Phase III report.

Although there are not a set standard measure of KPIs, targets should be established for the processes which are most important for the Committee to be receiving feedback on (which are in the main those processes which result in actual payments to members).

In certain areas, performance measures on high priority processes only are taken to Pensions Committee given their other commitments (unless there is a particular problem which needs addressing), with medium and lower priority processes being taken to Pension Board for consideration.

Timescales should be based on the entire process from start to finish, and performance should be measured both against the Fund's internal targets (which should be agreed by the Pension Committee), as well as against legal deadlines that must be met.

A comprehensive review of the performance targets themselves should be undertaken in conjunction with the development of the administration systems capability.

Officers have been reviewed the current Key Performance Indicators (KPIs), which do focus on the high priority processes and the existing Administration Strategy and have concluded that, if approved by Committee, the team address the actions recommended by AON and undertake a period of significant change, but service delivery to remain a focus and the targets achievable with the current resources.

Agenda Item 12

Priority Level	Task Description	Service Delivery (Working days) – excludes 'out of office' query time)	Overall Performance Level**
High	Process actual retirement (from active or deferred status)	20 days	90%
High	Death grants – make determination and process	15 days	90%
High	Refund payment requests – process	20 days	90%
High	Produce Annual Benefit Statements	31 August	100%*
High	Issue Pension Saving Statements for Annual Allowance	6 October	100%*
Medium	Transfer out – Make payment	20 days	90%
Medium	Member led estimate – issue estimate	20 days	90%

*Target is subject to the timely receipt of accurate data from the employer.

**Targets will be measured against either a quarterly figure or a 12 month rolling average, as appropriate based on the volume of cases.

The intention is that both the methodology used to create the key performance indicators as well as the key performance indicators themselves will be reviewed after 18-24 months, i.e once the new administration software contract is in place.

Recommendations

1. That Committee accept the recommendations of the AON report.
2. That Committee approve the additional resourcing as outlined in the main body of the report and the associated budget.
3. That Committee approve the inclusion into the formal specification to be procured in 2023/24 the additional system functionality, as set out in the main body of the report.
4. That Committee approve the revised temporary Key Performance Indicators, as set out in the main body of the report.

Contact Officer

Matthew Trebilcock – Head of Pensions (01452 328920)

Andy Cunningham – Pensions Administration Manager (01452 583733)