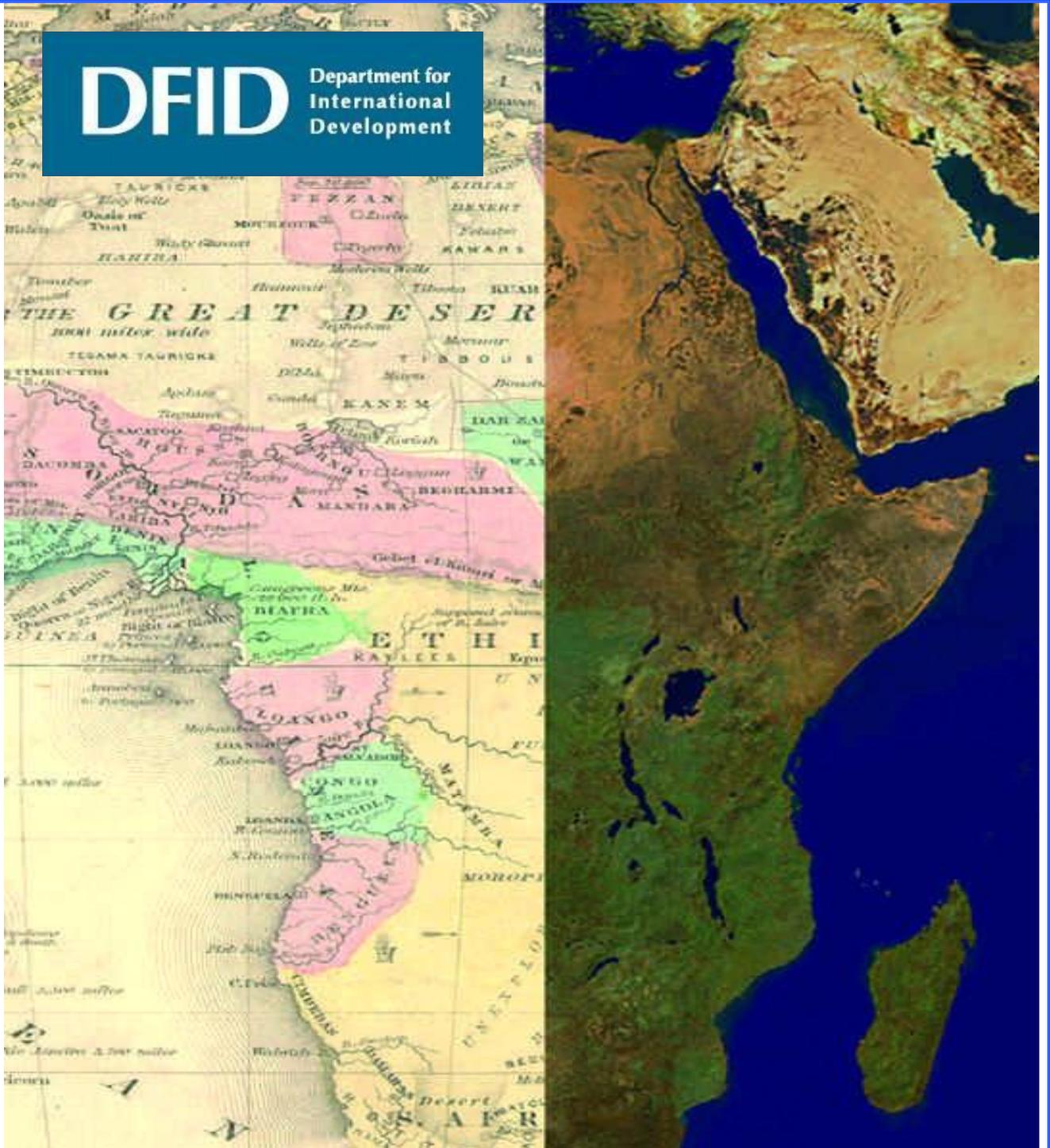


**DFID** Department for International Development



# Overseas Pensions Department Annual Report



The Government Standard

## April 2011 – March 2012

## **DFID Statement of purpose**

DFID, the Department for International Development: leading the UK government's fight against world poverty.

Since its creation, DFID has helped more than 250 million people lift themselves from poverty and helped 40 million more children to go to primary school. But there is still much to do.

1.4 billion people still live on less than \$1.25 a day. Problems faced by poor countries affect all of us. Britain's fastest growing export markets are in poor countries. Weak government and social exclusion can cause conflict, threatening peace and security around the world. All countries of the world face dangerous climate change together.

DFID works with national and international partners to eliminate global poverty and its causes, as part of the UN 'Millennium Development Goals'. DFID also responds to overseas emergencies.

DFID works from two UK headquarters in London and East Kilbride, and through its network of offices throughout the world.

From 2013 the UK will dedicate 0.7 per cent of our national income to development assistance.

UKaid is the logo DFID uses to clearly label when UK funds are being spent on help to developing countries.

## **Overseas Pensions Department**

Overseas Pensions Department (OPD) is an executive department of the Department for International Development (DFID) based at the HQ office in East Kilbride. It is responsible for determining eligibility, calculating entitlement, and administering the payments of pensions and related benefits to former colonial civil servants and their dependants - including those derived from service in India and Sudan. It is also responsible for the formulation of Britain's policy on overseas pensions and UK pension increase supplements.



The Government Standard

## **The Customer Service Excellence Standard**

Overseas Pensions Department's consistently high level of service to its pensioners was recognised in 2011 by the award of accreditation under the government's Customer Service Excellence Standard.

Customer Service Excellence is designed to recognise and encourage excellence in customer service to the public, and has been developed to offer all organisations a practical tool for driving customer focused change. Customer Service Excellence aims to place the customer at the heart of everything the organisation does by

- acting as a driver of continuous improvement
- encouraging skills development
- allowing an independent validation of achievement

The emphasis is placed on developing customer insight, understanding the user's experience and ensuring robust measurement of service satisfaction. The standard focuses particularly on delivery, timeliness, information, professionalism and staff engagement.

Overseas Pensions Department held the predecessor standard, the Charter Mark, since first accredited in 2000, but the award of Customer Service Excellence recognises a more developed audit of the department's customer service skills and results. OPD remains the only DFID department to hold the standard.

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## OVERVIEW APRIL 2011 - MARCH 2012

During the year April 2011 to March 2012:

Pensioner numbers .....	REDUCED BY 6%
New pension awards .....	INCREASED BY 2%
Number of pension payments.....	REDUCED BY 6%
OPD staff numbers .....	REDUCED BY 15%
Average unit costs .....	INCREASED BY 5%

In our customer satisfaction surveys, 82% of respondents rated our service as Very Good and 15% as Good.

# 1 THE BUSINESS

1.1 The majority of pensions now paid by OPD derive mainly from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions to certain former colonial civil servants, and an announcement in 1970 that the British Government would assume responsibility from overseas governments for the payment of pensions due to expatriate colonial civil servants who had mainly been appointed by, or on behalf of, the Secretary of State for the Colonies.

1.2 The element of these pensions arising from service after independence, together with certain widows' pensions, are financed from capital sums which have been paid over to the British Government by the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element, and the cost of those widows' and dependants' pensions that do not derive from a funded scheme.

1.3 These pensions and related benefits are paid in sterling from over one hundred different pension schemes that have been set up under the following Acts of Parliament:

- Overseas Pensions Act 1973
- Pensions (Increase) Act 1971, as amended
- Hong Kong (Overseas Public Servants) Act 1996
- UK Police Acts

1.4 In 2011/12 the estimate of anticipated expenditure from both the Overseas Superannuation Account and the main DFID account totalled £103.3m; the final out-turn was £101.8m with a variance of about 1.5%. About 92% by value of all payments made were the index-linked increases and supplements on the basic pensions. Our annual expenditure in recent years is shown in Table 1:

**Table 1: Annual Expenditure**

Period	Overseas Superannuation Account (£m)			International Development Account (£m)	Overall Total (£m)
	Public	Non-Public	Total		
2009/2010	95.545	9.496	105.041	8.014	113.055
2010/2011	89.352	8.724	98.076	7.490	105.566
2011/2012	86.957	7.816	94.773	7.012	101.785

1.5 Since 1993 the services of OPD have been provided in-house under the terms of a Service Level Agreement (SLA). That Agreement is subject to regular independent review to ensure that it remains appropriate and effective in governing the work and resources of the department.

1.6 The aim of the SLA arrangement is to reduce running costs in line with the continuing reduction in pensioner numbers. Savings are calculated over a three-year period and based on those OPD costs which are directly associated with the award and payment of pensions. We still

need several staff engaged in support services that are unaffected by falling pensioner numbers.

1.7 OPD encompasses three main functions:

- **Pensions Awards:** responsible for determining eligibility for a pension or other benefit, for calculating and authorising payment of that award in accordance with the provisions of the relevant UK and overseas pensions legislation, and for dealing with all enquiries about those awards;
- **Payments and Administration:** obtain and verify the necessary payment details; administer and make payment of the pensions; deal with all changes and enquiries about the payments, and issue and verify the details provided on an Annual Declaration of Entitlement;
- **Core Support:** responsible for monitoring and reporting our expenditure and liabilities; maintaining our payroll system; keeping our procedures and guidance up to date; and for monitoring and reporting our performance under the SLA.

1.8 The department is structured into two caseload teams which cover all aspects of the business. This fully integrated approach provides OPD's competitive edge in seeking every possible efficiency saving whilst still providing service quality at the highest levels. OPD is also responsible within Whitehall for all aspects of policy and advice on colonial pensions matters. This can include:

- developing policy on overseas pensions and pensions increases, including the drafting of new legislation;
- advising Ministers and other government departments and dealing with Parliamentary issues;
- dealing with legal and other challenges on the interpretation of the various ordinances under which we operate.

1.9 The number of staff employed in OPD fell during the year from 23 to 20, a reduction of 15%. This substantial reduction was largely the result of an ongoing major restructuring of the department's teams and functions. The purpose is to increase the skills portfolios of everyone in OPD to increase flexibility of deployment and maximise efficiency, as we continue to get smaller as a department.

1.10 The standards to which we work are set out in an information booklet provided to every new pensioner called A Guide To Your Pension, which includes a commitment to provide the highest possible quality of service. Our aim is that our service should always be:

- prompt
- efficient
- accurate
- helpful and courteous
- responsive to those with special needs.

1.11 This report analyses our performance against these standards of service during 2011/2012, and the volume of work completed. It also compares our achievements with those in previous years.

## 2 OPD'S WORKLOAD

2.1 Table 2 shows the number of pensioners and pensions administered by OPD during each of the last 3 years, and the number of payments made in each of those years.

**Table 2: Pensioners and Pensions**

	2011/12	2010/11	2009/10
No. of Service Pensioners	7,099	7,711	8,351
No. of Dependants	7,339	7,645	7,946
Total No. of Pensioners	14,438	15,356	16,297
Total No. of Pensions	30,345	32,363	34,456
Total No. of Payments	155,547	164,752	175,903

2.2 The reduction in pensioner numbers during 2011/2012 is shown in Table 3.

**Table 3: Pensioner numbers**

	% Change
No. of Service Pensioners	-7.9%
No. of Dependants	-4.0%
Total No. of Pensioners	-6.0%
Total No. of Pensions	-6.2%
Total No. of Payments	-5.9%

2.3 Of our 14,438 pensioners:

- 47% are male;
- 63% live in the UK, and the remainder live in 94 other countries around the world;
- 86% are paid monthly and 14% either quarterly, half yearly or yearly;
- 99% of those living overseas are now paid by Worldlink credit transfer;
- the oldest pensioner is now 106 years of age, and there are 92 other centenarians on our books;
- the average age of our service pensioners is 82 years;
- the average age of our dependant pensioners is 84 years.

Projections of pensioner numbers estimate that the payments relating to pensioners will be realised by the middle of the century.

### **Pension Calculations**

2.4 Our core workload comprises mainly those activities associated with:

- the calculation of new dependants' pensions
- validating claims for continued payment
- the cessation of pensions
- the annual uprating of pensions
- dealing with enquiries about existing and potential awards

The pension calculation caseload in 2011/2012 is shown in Table 4. We also finalised the amounts due to, or to be recovered from, the estates of those 873 pensioners who died during the year, making adjustments as necessary in accordance with UK tax regulations.

**Table 4: Pension Calculation Caseload in 2011/12**

	Service Pensions	Dependants' Pensions	Total
New Awards	60	500	560
Revisions	194	189	383
Reviews	123	13	136
Estimates	16	269	285
Total	393	971	1,364

2.5 Although OPD administers 106 different pension schemes, only the Indian Military Widows' and Orphans' Scheme still receives contributions from its members. There are now 17 officers with a registered interest for a potential 22 beneficiaries.

2.6 Tables 5 and 6 compare our calculation workloads over the past three years.

**Table 5: Service Pensions**

	2011/12	2010/11	2009/2010
New Awards	60	37	50
Revisions	194	83	124
Reviews	123	82	54
Estimates	16	7	13
Total	393	209	241

**Table 6: Dependants' Pensions**

	2011/12	2010/11	2009/2010
New Awards	500	512	589
Revisions	189	118	124
Reviews	13	55	48
Estimates	269	297	520
Total	971	982	1,281

2.7 OPD provides a comprehensive information and advice service to pensioners and their representatives. During the year we answered

14,680 letters, faxes or e-mails (1% less than 2010/2011), of which 22 were simply to thank us for the quality of our service

2.8 The majority of written enquiries were, as usual, on payroll matters: changes of address or bank details, power of attorney instructions and tax queries.

2.9 There were 7 Ministerial enquiries and 1 official reply, which were dealt with within the prescribed time limits. There were no Parliamentary Questions.

### **Complaints and Compensation**

2.10 We received 1 complaint during the year, which was deemed by our Complaints Officer to have no valid criticisms about OPD.

2.11 If OPD causes or contributes significantly to any excessive delay in making a pension award or payment, or we have underpaid a pensioner, then in addition to the issue of an appropriate apology, we will reimburse any reasonable costs which the pensioner incurred as a result and may pay compensation for loss of use of the funds. During 2011/12 there were no cases where the department was required to pay such compensation.

### **Payment Irregularities**

2.12 No case of fraud was identified in OPD during 2011/12.

### 3 STANDARDS OF SERVICE

3.1 OPD's 6 key performance indicators, and our success in meeting them, are set out in the following paragraphs.

#### Accuracy of initial payment calculations

A range of checks is made to ensure that the amounts awarded are correctly paid, and that changes to entitlement or payment arrangement are properly actioned.

Target	97.50%
Performance	99.94%

#### Accuracy of initial calculations of new and revised awards

A number of randomly selected new and revised awards are checked each month to confirm entitlement and the accuracy of the calculations.

Target	95.00%
Performance	100.00%

#### Timeliness of putting new awards into payment

The large majority of our new awards (about 90%) are to recently bereaved widows, and we take particular care to ensure that our action in these cases is completed quickly. We aim to put all new pensions into payment within two weeks of receipt of the completed application form, but as the table at paragraph 4.2 shows, we consistently do better.

Target	97.50%
Performance	99.46%

#### Timeliness of payments

Payments are made, either by Electronic Funds Transfer or by payable order, to a bank or building society account. Of the 164,752 payments made during the year, none failed to issue by the due date.

Target	99.00%
Performance	100.00%

#### Response to enquiries

We aim to respond within two weeks of receipt to all written enquiries (and to any enquiry by telephone which cannot be fully answered at the time). Where it may take us longer to obtain the necessary information – perhaps from overseas, we keep pensioners informed of our progress.

Target	99.00%
Performance	99.91%

#### Response to complaints

We aim to provide an initial response to a complaint within two weeks of receipt, and a more detailed response, if one is needed, within five weeks.

Target	95.00%
Performance	100.00%

## Average Response Times

3.2 One of our key objectives is to process new awards and to deal with all incoming correspondence within 14 calendar days. Our actual average response times (rounded up) in each of the past three years are shown in Table 7.

**Table 7: Average Response Times**

	2011/12	2010/11	2009/2010
Processing of new awards	5 days	4 days	3 days
Response to enquiries	5 days	5 days	5 days
Response to complaints	12 days	8 days	6 days

**Table 8: Performance against SLA Targets**

	SLA Target	2011/12 achieved
Accuracy of initial payment calculations	97.50%	99.94%
Accuracy of initial calculation of new and revised awards	95.00%	100.00%
Timeliness of putting new awards into payment	97.50%	99.46%
Timeliness of payments	99.00%	100.00%
Response to enquiries	99.00%	99.91%
Response to complaints	95.00%	100.00%

## Customer Satisfaction

3.3 The main mechanism for establishing customer satisfaction with our service is the questionnaire issued to every new pensioner six months after their first payment. During 2011/12 we issued 272 forms, of which 152 (56%) were returned. The conclusions were that:

- 97% of respondents rated our service as either very good (82%) or good;
- 74% described our staff as helpful, 83% as efficient, 64% as friendly;
- 95% thought our written replies were either very good (72%) or good;
- 96% thought the service provided on the telephone was very good (78%) or good;
- 1% of respondents described our overall performance or any aspect of our written replies or telephone service as less than satisfactory.

## 4 SUPERANNUATION ACCOUNT

4.1 The Overseas Superannuation Account for 2010/2011 was signed off by NAO on 4 July 2011 and laid before Parliament on 7 July 2011.

## 5 FINANCIAL PERFORMANCE

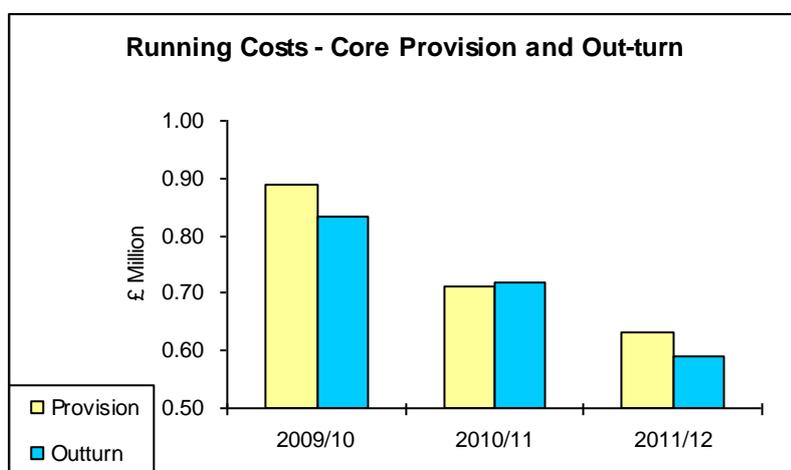
5.1 The efficiency savings formula in our SLA allows savings to be calculated and taken over a 3 year period. 2011/12 is the second year of the triennium through to 2012/13, in which we are required to identify total savings of £100,000.

5.2 In 2009/10 the actual cost of administering overseas pensions was £0.833m. Taking out our ongoing core costs, the direct cost of awarding and administering pensions was £0.529m. GAD has projected that in the 3 year period 2010/11 to 2012/13 the pensioner population will fall by 23.7%. Our objective therefore is to reduce our direct running costs by 80% of this, being 18.9% by March 2013. In cash terms this equates to a total required saving of £100,000.

5.3 In 2010/11, OPD realised efficiency savings of £116,000. In 2011/12 we succeeded in identifying a further £5,000 of savings. These reductions have been made possible largely by the savings accruing from OPD's ongoing programme of internal restructuring and process refinement. During 2011/12 staff numbers fell once again from 23 to 20, a reduction of 15%. Savings in 2011/12 were reduced by the need to offset increasingly costly GAD service charges.

5.4 Table 9 compares our budgetary provision and expenditure since 2009/10 and takes fully into account all increases in salary costs.

**Table 9: Budgetary Provision and Expenditure:**



5.5 On average our unit costs in 2011/12 increased by 5%, and exceeded target unit costs for the year by 2%.

Table 10 shows our actual unit costs for the last two years.

**Table 10: Unit Costs**

	2011/12	2010/11
Per Pensioner	£32.39	£30.76
Per Pension	£15.41	£14.59
Per Payment	£3.01	£2.87

Table 11 shows performance against SLA target unit costs in 2011/2012. Targets are set on the basis of actual unit costs for the previous year plus inflation, in this case 2%.

**Table 11: Performance against Target Unit Costs**

<b>2011/12</b>	<b>Target Unit Cost</b>	<b>Actual</b>
Per Pensioner	£31.71	£32.39
Per Pension	£15.05	£15.41
Per Payment	£2.96	£3.01

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