

DFID

Department for
International
Development

**Overseas Pensions
Department
Annual Report
April 2007-March 2008**



Awarded for excellence

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

One in six people in the world today, almost 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution, and diseases such as HIV and Aids – are caused or made worse by poverty. DFID supports long-term programmes to help tackle the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to:

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV/AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of some £5.3 billion in 2006/07. Its headquarters are in London and East Kilbride, near Glasgow.

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.

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Overseas Pensions Department



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Charter Mark Award

Overseas Pensions Department was awarded a Charter Mark by the Cabinet Office in 2000 in recognition of the first class service consistently provided by OPD staff to their customers around the world.

Following a review in 2005, Overseas Pensions Department was successful in winning the government's Charter Mark award for excellence in public service for the second time.

In a statement to OPD staff at the end of the review, the Charter Mark Assessor said that the department had further improved its service since the first award in 2000 and paid tribute to the dedication and commitment that OPD staff showed towards their customers.

The Charter Mark is the Government's award scheme for recognising and encouraging excellence in public service. It is unique among quality schemes in the way it concentrates on results - the service the customer actually receives.

1. OVERVIEW APRIL 2007 - MARCH 2008

1.1 During the year April 2007 - March 2008:

Pensioner numbers REDUCED BY 5.1%

OPD staff numbers REDUCED BY 4%

Average unit costs INCREASED BY 3.7%

Our pension calculation workload REDUCED BY 3.8%

Approval ratings in our customer satisfaction surveys.....77% who rated our service very good and 19% good

2. THE BUSINESS

2.1 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 a 1970 announcement 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.

2.2 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.

2.3 The pensions and related benefits referred to above 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

2.4 The estimate of anticipated expenditure from both the Overseas Superannuation Resource Account and the main DFID account totalled £130.4m; the final out-turn was £125.8m with a variance of about 3.5%. The increase in the main account of £14m over 2006/07 was accounted for by the take-on of Gibraltar SIF pensions last year. About 81% 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

2.5 Since 1993 the functions 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.

The significant reduction of 65% in staff numbers and the variety of restructuring exercises since the outset of the SLA means that it has become

increasingly difficult to realise further efficiency savings. 96% of OPD's running costs expenditure goes directly on staff costs. It has become progressively more difficult to make savings as baseline staff numbers have fallen year on year. We still need quite a large group of staff engaged in support services that is unaffected by falling pensioner numbers.

2.6 The aim 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: the cost base for the target is therefore about 73 per cent of total administration costs.

2.7 OPD encompasses three main areas of work:

- **Pensions Awards Section:** 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 Section:** 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
- **Central Support Unit:** responsible for monitoring and reporting our expenditure and liabilities; maintaining our computer payroll system; providing a records management and typing service; keeping our procedures and guidance manuals up to date; and for monitoring and reporting our performance under the SLA

2.8 OPD also oversees developments in UK public service pensions' policy. We are responsible for:

- developing policy on overseas pensions and pensions increases (including the drafting of new legislation)
- dealing with legal and other challenges on the interpretation of the various ordinances under which we operate

2.9 The number of staff employed in OPD fell during the year from 37.5 to 36, a reduction of 4% (65% since the SLA was introduced in 1993).

2.10 The standards to which we work are detailed in an information booklet provided to every new pensioner, 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

2.11 This report analyses our performance against those service standards during 2007/2008, and the volume of work completed. It also compares our achievements with those in previous years.

3. OPD'S WORKLOAD

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

Table 2: Pensioners and Pensions

3.2 Pensioner numbers reduced during 2007/2008, as shown in Table 3. The total number of pensioners at the end of March 2008 is some 46% less than when the SLA was introduced in 1993.

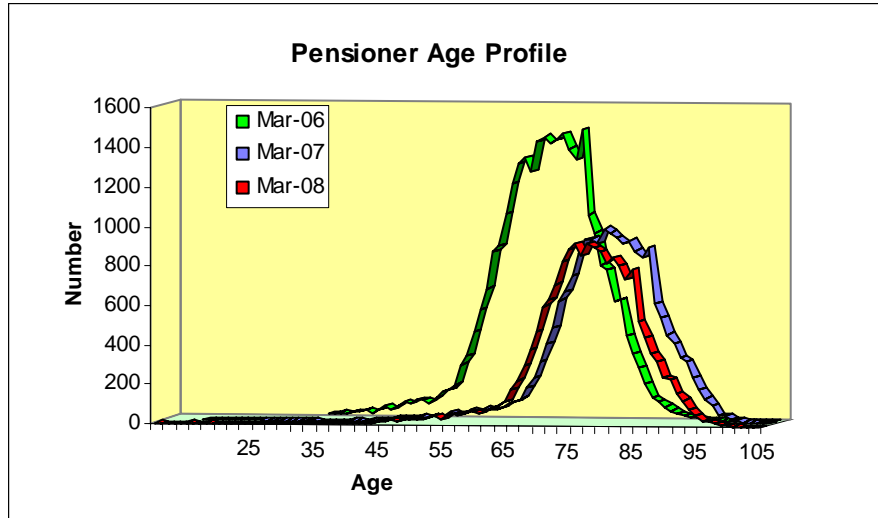
Table 3: Pensioner numbers

3.3 Of our 18,203 pensioners:

- 50% are male
- 67% live in the UK and we pay pensions in 73 other countries around the world
- 87% are paid monthly and 13% quarterly
- 99% of those living in the UK - 94% of pensions by value - are paid by Electronic Funds Transfer through the Bankers Automated Clearing Service
- of pensions paid overseas, 74% by value are transferred electronically through the Transcontinental Automated Payment Service where that option is available
- our oldest pensioner is now 105 years of age and there are 51 other centenarians on our books
- the average age of our service pensioners is 79 years
- the average age of our dependant pensioners is 81 years

3.4 Chart 1 shows the change in the age profile of our pensioner population over the past three years.

Chart 1: Pensioner Age Profile



Pension Calculations

3.5 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 handled is shown in Table 4. We also finalised the amounts due to, or to be recovered from, the estates of those 1,003 pensioners who died during the year, making adjustments as necessary in accordance with UK tax regulations.

Table 4: Pension Calculation Caseload

3.7 Although OPD administers 106 different pension schemes, only the Indian Military Widows’ and Orphans’ Scheme still receives contributions from its members. There are now 51 officers with a registered interest for a potential 64 beneficiaries.

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

Table 5: Service Pensions

Table 6: Dependants' Pensions

3.9 OPD provides a comprehensive information and advice service to pensioners and their representatives. During the year we answered 19,139 letters, faxes or E-mails (a 3.9% decrease over 2006/2007), of which 40 were simply to thank us for the quality of our service. We estimate that in supporting our work OPD's Records Management team dealt with almost 40,000 file movements during the year.

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

3.11 We also prepared 3 draft replies to Ministerial enquiries and issued 1 official reply. These enquiries were dealt with within the prescribed time limits. There were no Parliamentary Questions.

Complaints and Compensation

3.12 We received a total of 27 complaints during the year, 8 of which were deemed by our Complaints Officer to have valid criticisms about OPD.

3.13 If through an OPD error a pensioner has been overpaid, our normal procedure is to allow that higher rate of pension to continue being paid on a mark-time basis until the pensioner's true entitlement catches up through the application of annual increases. This arrangement, which has been in place since 1991, allows the pensioner some time to adjust to their new financial position. The figures for recent years are shown in Table 7:

Table 7: Pensioners on mark-time arrangements

3.14 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 pay compensation for loss of use of the funds. During 2007/08 we made 1 such payment, totalling £43.62

Payment Irregularities

3.15 There were four cases of fraud during 2007/08, only one of which led to a loss of OPD funds. This loss amounted to £3,943.57, although the recipient of the fraudulently obtained amount has agreed to pay it back.

4. STANDARDS OF SERVICE

4.1 OPD's key performance standards, and our success in meeting them, are outlined in the following paragraphs.

A wide 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.

A randomly selected number of new and revised awards are checked each month by our quality control staff, to confirm entitlement and the accuracy of the calculations.

The vast 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 continue to do much better.

Payments are made, either by Electronic Funds Transfer or by payable order, to a bank or building society account. Of the 200,336 payments made during the year, none failed to issue by the due date.

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.

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.

Average Response Times

4.2 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 8.

Table 8: Average Response Times

4.3 We have again exceeded by a significant margin all of the service standards in the past year and we have also done so cumulatively since the start of the SLA (see Table 9).

Table 9: Performance against SLA Targets

SLA Reports

4.4 Our SLA requires an Interim Report, for the period April to September, to be submitted by the end of November, and this Annual Report by the end of June. Both targets were met.

Customer Satisfaction

4.5 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 2007/2008 we issued 436 forms of which 211 (48%) were returned. The conclusions were that:

- 96% of respondents rated our service as either very good (77%) or good
- 87% described our staff as helpful, 88% as efficient, 62% as friendly
- 94% thought our written replies were either very good (69%) or good
- 95% thought the service provided on the telephone was very good (67%) or good
- 1% of respondents described our overall performance or any aspect of our written replies or telephone service as less than satisfactory

5. RESOURCE ACCOUNTS

5.1 The Overseas Superannuation Resource Accounts for 2006-07 were signed off by NAO on 25 June 2007 and laid before Parliament on 28 June 2007, before the summer recess.

6 FINANCIAL PERFORMANCE

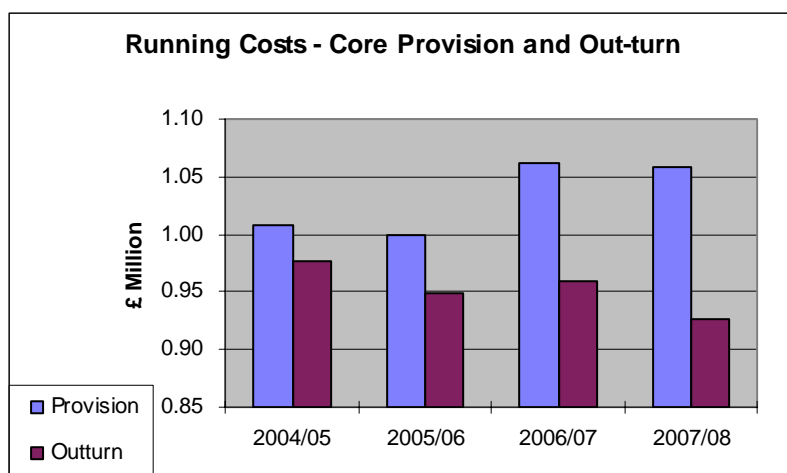
6.1 In 2004 a new efficiency savings formula was agreed whereby efficiency savings would be taken over a three year period rather than annually. This has been helpful in allowing more flexibility to plan ahead and take savings when convenient. This year marks the start of the second triennial period.

6.2 In 2006-07 the actual cost of administering overseas pensions was £0.960m. Taking out our ongoing core costs the direct cost of awarding and administering pensions was £486,000. GAD has projected that in the three-year period 2007/08 - 2009/10 our pensioner population will fall by 17.7%. Our objective is therefore to reduce our direct running costs by 80% of this, being 14.1%, by March 2010. In cash terms this equates to a total required saving of £68,700.

6.3 In the first year of the current triennial period OPD has already managed to realise efficiency savings of £34,600.

6.4 Chart 2 compares our budgetary provision and expenditure since 2004/05 and takes fully into account all increases in salary costs.

Chart 2: Budgetary Provision and Expenditure:



6.5 Our average unit costs were about 0.7% below target in 2007/08.

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

Table 10: Unit Costs

Inflation during 2007-08 was 3.8%. Our target unit costs for 2007-08 were therefore the figures for 2006-07 increased by 3.8%.

Table 11 shows performance against target unit costs in 2007-08.

Table 11: Performance against Target Unit Costs

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