

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD, COST OF ADMINISTRATION

3087. Mrs C.L. Edwardes to the Premier

I refer the Premier to the Performance Examination of the Administration of Superannuation by the Auditor General and ask -

- (a) what action does the Premier intend to take to control the cost of administration at the GESB;
- (b) what percentage of the increase in administration costs are as a result of the new IT system;
- (c) what percentage of miscalculations of employee benefits are as a result of the new IT system;
- (d) has an in-house audit been conducted to ascertain if further training is required, for staff, on the new IT system;
- (e) if no internal audit has been conducted to ascertain the causes of the errors, why not; and
- (f) is the contractor still assisting staff with ongoing training?

Dr G.I. GALLOP replied:

- (a) The Minister for Government Enterprises continues to control the cost of administration at GESB through the approval of the annual estimates in accordance with section 42 of the Financial Administration and Audit Act 1985.
- (b) The 31 percent on the increase in administration costs as a result of the new IT system is calculated as follows:

	1999/2000	2002/2003	Increase	
			\$	%
Total Scheme Administration Costs	\$18,845,313	\$28,997,305	\$10,151,992	54%
IT Costs	\$7,082,850	\$10,233,070	\$3,150,220	44%
IT Cost as Proportion of total scheme administration costs	38%	35%	31%	N/A

Total scheme administration costs increased from \$18,845,313 in 1999/2000 to \$28,997,305 in 2002/2003 - an increase of \$10,151,992 or 54%. The amount of IT costs increased from \$7,082,850 in 1999/2000 to \$10,233,070 in 2002/2003 - an increase of \$3,150,220 or 44%. The percentage increase of administration costs (\$10,151,992) as a result of the new IT system (\$3,150,220) is therefore 31%. However, IT costs as a proportion of total administration costs decreased from 38% in 1999/2000 to 35% in 2002/2003.

The benefits gained from the 31% increase in administration costs due to the new IT systems include -

- The introduction of a wider range of products to members such as Member Investment Choice, a post-retirement draw down facility and an allocated pension.
 - A significant increase in both member and employer satisfaction levels, which is reflected in a 32.3% increase in the number of voluntary contributions received from members and a 74% increase in the value of benefits rolled in by members from other superannuation funds.
 - Greater ability to target member education and marketing efforts towards specific groups of members. Currently, over 50% of retiring members are choosing to invest their superannuation benefits in retirement products.
 - A 15% reduction in FTEs in the back office account processing area and a re-allocation of these resources into the front line member services area.
 - Processing efficiencies such as a 75% reduction in the time taken to process the Education Department payroll and a 30% decrease in benefit processing times.
 - Improved management reporting of financial and performance information.
 - Improved control over procurement through the automation of purchasing processes.
 - Improved risk and compliance management through enhanced reliability of management information and data processing controls.
- (c) The Auditor General found "that GESB's system calculates benefits correctly and this is assured by a system of independent checks for all benefit calculations" (refer to page 6 of the Auditor General's Report).

- (d) GESB has a risk based audit program. Risk assessments and findings of audits related to CAPITAL superannuation administration system have never identified staff error as a high risk
- (e) The Auditor General reported that most errors in contributions were due to failings by agencies. This statement is made on page 23 of the Administration of Superannuation Report.
- (f) No.