Abstract

Pencalc automated pension administration system

The Court examined the contribution of Pencalc automated calculation software in the Public Sector Pension Agency (PSPA). The examination showed that several regulatory provisions were not yet introduced into the software system and that Pencalc package, which encompasses both the input and the processing of the data designed for pension calculation, had serious drawbacks. In addition, it provided few internal audit functions and the flow of incoming data had not yet been computerized. Lastly, the language used by the Agency in its communications was lacking clarity. The Minister for Pensions, responsible for the PSPA, subscribed to the Court's recommendations.

These last ten years, the Public Sector Pension Agency (PSPA) has gone a long way towards automatizing the processing of pension files. Since 1997, the agency has worked away at developing a computerised pension calculation programme called PENCALC.

The purpose with Pencalc is to have a user-friendly tool for a fast and professional processing of pension files, all the way from the introduction of the pension application to the transfer into archives. This objective of the programme was to allow PSPA to calculate and administer the files of the retirement and survival pensions of all administrative agencies under its remit. As it was an all-inclusive package used as a data base, a computerised calculation programme and an administration tool, it was utterly important that it would function correctly.

To perform its audit, the Court's auditors ran primarily Pencalc-based simulations of calculations of fictitious pensions.

Pencalc still showed shortcomings: certain categories of Government pensions were not integrated into the system and a range of legal provisions in respect of pensions were still not inputted. Moreover, several regulatory provisions, mainly amendments to the law, were lacking. As a result, certain calculations were still to be made by hand.

Using an all-inclusive Pencalc system combining pension calculation data and processing into one tool seems logical, but also presents major drawbacks. Each file was saved as the product of applying a formula to a set of data. Any file adaptation therefore could not be made without modifying the pension files themselves. This proved to be particularly a problem when dealing with adaptations to be implemented after the operative date of a pension. The Court found out that, on the one hand, a data base for the introduction of the various data was not created and, on the other hand, separate spreadsheets for formulas were used.

Contrary to what the system would sometimes leads to think, Pencalc has few internal control functions for manually entered data.

What's more, the processing of incoming data was inefficient. The required data were not only incomplete and not updated, but the way they were often collected was obsolete and the processing took much time. An extensive computerization is badly needed to ensure that all

data are systematically transmitted electronically to the PSPA. In so doing, the agency might also become a pension agency entrusted with the sole responsibility of implementing the pension regulation, without having to worry about the accuracy of a number of source data.

In its communications, the language used by the PSPA is still not clear enough although such is prescribed by the Charter of the socially insured. Pension statements transmitted by the PSPA sometimes contained confusing, misleading or erroneous information.

Lastly, at this stage, Pencalc could not yet be used as a satisfactory public management tool. But, as population ages and the ensuing budgetary cost is on the increase, what is required is to have quality estimates allowing an accurate calculation of the cost of a given policy choice.

The Minister for Pensions subscribed to most Court's recommendations. He mentioned that several projects were in store to put right some of the shortcomings identified in the report and that the agency would shortly integrate into the programme the regulatory provisions that had not yet been inputted. He also stated that an internal control unit would be set up and that the readability of pension statements would be improved. He added that the issue of an automated flow of data from the departments concerned was currently under discussion.