

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	AGENDA ITEM NUMBER
MEETING DATE:	<b>22 JUNE 2012</b>	
TITLE: <b>PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR 12 MONTHS AND (2) PERFORMANCE INDICATORS FOR 2 MONTHS AND (3) STEWARDSHIP REPORT FOR THE 4 QUARTERS, ALL TO 31 MARCH 2012</b>		
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<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1 Summary Financial Account: 12 months to 31<sup>st</sup> March 2012</b>  <b>Appendix 2 Summary Budget Variances: financial year to 31<sup>st</sup> March 2012</b>  <b>Appendix 3A Balanced Scorecard : 2 months to 31 March 2012 (narrative)</b>  <b>Appendix 3B Balanced Scorecard in 3A: Graphs for <i>selected</i> items</b>  <b>Appendix 4A Customer Satisfaction Feedback in the 2 months to 31 March 2012</b>  <i>(Retirements from ACTIVE status)</i>  <b>Appendix 4B Customer Satisfaction Feedback in the 2 months to 31 March 2012</b>  <i>(Retirements from DEFERRED status)</i>  <b>Appendix 5 Active membership statistics over 24 months to 31 March 2012 (See Appendix 3B Graph 8)</b>  <b>Appendix 6 Joiners &amp; Leavers (See Appendix 3B Graph 9)</b>  <b>Exempt Appendix 7 Summary Performance Report on Scheme Employers performance for the 4<sup>th</sup> quarter and 4 quarters to 31 March 2012 (including late payers) – Annex 1 Retirements &amp; Annex 2 Deferreds</b></p>		

## **THE ISSUE**

- 1.1 The purpose of this report is to inform the Committee of administration and management expenditure incurred against budget for the 10 months to 31 January 2012. This information is set out in Appendices 1 and 2.
- 1.2 This report also contains Performance Indicators and Customer Satisfaction feedback for 2 months to 31 March 2012 and Stewardship Reports on Employer and APF performance in the first 4 Quarters to 31 March 2012. The Performance Indicators and Customer Satisfaction feedback report is for 2 months rather than the usual 3 months to align the end date with other reports at the year end.

## **2. RECOMMENDATION**

**That the Committee:**

- 2.1 Approves the addition to the list of Fund Discretions in respect of "*Payments for persons incapable of managing their affairs*"
- 2.2 Notes the expenditure for administration the Stewardship Report on performance and management expenses incurred for the 12 months and Performance Indicators and Customer Satisfaction Feedback for the 2 months to 31 March 2012.

### 3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.

### 4. COMMENT ON BUDGET

- 4.1 The summary Financial Accounts for year to 31<sup>st</sup> March 2012 are contained in **Appendix 1**.
- 4.2 The total variance for the year to 31 March 2012 is £85,000 under budget. Within the directly controlled Administration budget the variance is £200,000 under budget. Savings were achieved in all areas except Information Systems where increased expenditure was more than offset by related savings in Communications. The largest savings were made against staff turnover, increased income and reduced centrally allocated charges that resulted from savings made in the Council's central services.
- 4.3 Explanations of the most significant variances are contained in **Appendix 2** to this Report.

### 5. BALANCED SCORECARD SHOWING PERFORMANCE INDICATORS ("PIs") FOR THE 2 MONTHS TO 31 MARCH 2012

- 5.1 The information provided in this report is consistent with the methodology applied to the Council generally but has been customised to reflect the special circumstances of the Avon Pension Fund. Full details of *performance against target*, in tabular and graph format, are shown in **Appendices 3A and 3B**.

#### 5.2 ADMINISTRATION PERFORMANCE

5.2.1 The level of **work outstanding** from tasks set up in the period (Item C5 and graphs 5-7 of **Appendix 4A and 4B**) in the 2 month period was 2,608 tasks created and 2,536 cleared (97.2%), leaving an outstanding workload from the period of 72 tasks or 2.7% well within the target of 10%. Such cases are always followed up on a continuing basis until they are cleared.

5.2.2 In other areas shown in selected **Graphs** the Fund:

- Increasing use of the Avon Pension Website at over 6,000 hits in each month continues as pensions remain high profile in the media (*Chart 2*)
- A continuing low level in short-term sickness (1.47%) and no long-term sickness; the use of temporary staff is within target (*Chart 3*)
- The number of new cases created in the period rose to 1322 however the number of cases completed exceeded this by 85 at 1407 reducing work in progress. (*Charts 6 & 7*)

5.2.3 **STAFF:** The Committee were asked to note in the last report in March 2012 that 5 new benefits staff were appointed in late January 2012 to replace 4 experienced staff whose services had been lost and that performance might temporarily dip whilst these staff were trained. These staff are settling in well and having completed their initial process training have started to significantly contribute to

the output of the Section although this is not reflected in the performance against for this 2 month period ending 31 March in which performance on deaths, refunds and transfers were as predicted behind target. Improved performance figures are expected to be reported in the next Committee report.

5.3 **Complaints:** There were **no** complaints received in the period.

5.4 **2011/12 Year-End information/ Members 2012 Annual Benefit Statements (“ABSs”).** Annual Benefit Statements for active members are prepared and sent once the year-end information sent by employers has been received and reconciled. Draft Regulations indicated that the time allowance for sending out ABSs would be reduced and they would need to be sent out by 1<sup>ST</sup> October each year.

In view of this, Employers were asked to submit the 2011/12 year-end information slightly earlier than previously - by 30<sup>th</sup> April. A report on the timeliness of employers' submissions is included in the Stewardship Report (*Item 9 below*).

## 6. CUSTOMER SATISFACTION FEEDBACK IN 2 MONTHS TO 31 MARCH 2012

### 6.1 *Retirement Questionnaires*

**Appendix 4A** reports on the customer satisfaction based on 53 questionnaires returned from **active** members retiring. On average 59% received their lump sum and 75% their first pension payments within “10 day” target (*See chart*).

**Appendix 4B** reports on the customer satisfaction based on a small sample of 24 questionnaires returned from *former* active members retiring from **deferred** status. 79% received their lump sum and 75% their first pension payments within “10 day” target (*See chart*).

Service rating as either good or excellent from actives and deferreds on the service they received from Avon Pension Fund staff handling their retirement averaged out at 92% (See chart item 5 on both graphs).

6.2 **Clinics: None arranged for 2012:** As it expected that the Fund will be holding a significant number of sessions with members to explain what the 2014 changes to benefits will mean for them no clinics have been arranged for the current calendar year so there is nothing to report. (This item will be removed from the report for the time-being and brought back in when clinics are recommenced).

Despite this, representatives of the Fund will, if requested by an employer, arrange member advisory sessions to meet with their staff either individually or in groups if there is a particular event such as bulk redundancy or pay reduction exercises.

## 7. LEVEL OF OPT OUTS FROM THE SCHEME

7.1 The Committee has asked that the level of opt outs from the Scheme be monitored in view of recent events affecting public pensions and the trend reported back to each Committee meeting.

7.2 APF's administration processes were amended in 2011 to identify opt outs in a reportable field. Reports run indicate that only **73** members with more than 3 months service opted out over the 12 month period to the end of March 2012. When expressed as percentage of the **total** membership of 34,501 this is only **0.2%**

(approximately 1 in 500) and is a very encouraging sign that significant numbers of members are not leaving the Scheme in advance of knowing what the increase to pension contributions and changes to benefits in 2014 will be.

The position on opt outs will continue to be monitored and reported to the Committee at each of its Meeting.

## 8. TRENDS IN MEMBERSHIP/ JOINERS AND LEAVERS

8.1 The **active membership** statistics\* are shown in graph format in **Appendix 5** and the numbers of **joiners and leavers** feeding into this also in graph format in **Appendix 6**

Figures of the current active membership for a cumulative 35 months period from 1 May 2009 to 31 March 2012 are shown for information in a graph format in **Appendix 5**. The overall membership has remained fairly constant over the last few years between 33,000 and 34,000. The membership at 31<sup>st</sup> March 2012 is 33,561 compared to 33,515 in May 2009 but there has been a noticeable fall in joiners over the same period which is perhaps to be expected with the on-going recruitment freeze in local authorities. A similar fall in leavers (which would include opt outs) has mirrored the downward trend.

## 9. SUMMARY APF & EMPLOYER PERFORMANCE REPORT

9.1 As part of the Pensions Administration Strategy which came into effect in April 2011 a **Stewardship Report** is now sent to quarterly to the four unitary authorities to report of both their and Avon Pension Fund's administration performance against targets in the SLAs. Stewardship Reports for the remainder of the 140 plus employers will be sent only once a year due to the lower level of activity.

9.2 A Summary report to the Committee is now a requirement of the Strategy. The Report for the 12 months to 31 March 2012 is included as **Exempt Appendix 7**. This is to be taken in **exempt session** as employers' names and performances in a league table format are included. The Report will disclose any poor performing employers which need to improve. It is important that the Committee are made aware of these going forward.

9.3 **Appendix 7** contains:

- Graphs for each of the largest employers \*(viz. 4 unitaries) showing performance on processing leavers (**Retirements (Annex 1)** and **Deferred (Annex 2)**) for 4<sup>th</sup> Quarter 2011 and cumulative 4 quarters to 31 March 2012. A *Trend* Graph for these 4 quarters is also included.
- Report on *late* pension **contributions** by employers to the Fund due for the 3 months through to 31 March 2012.
- Year End status report listing employers who have still not sent their full year end information

### 9.4. ACTIVE MEMBERSHIP STATISTICS (to assist monitoring of Opt Out trends)

9.4.1 Figures of the current active membership for a cumulative 23 months period from 1 May 2009 to 31 March 2012 are shown for information in a graph format in **Appendix 5**

9.4. 2 Active Membership figures in graph format are included as a standard item for Committee meetings to monitor the trend in member movements at this volatile time

when higher than normal level of 1) redundancies and 2) opt outs by members concerned about future scheme changes and potential increases to their contributions.

## 10. SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

10.1. **Electronic Access:** There was continuing interest in electronic access available to members and employers with the numbers registered rising from 2,356 to 2,561 (8.7% increase in 3 months) for **Member Self Service. On Employer Self Service** employer staff registered rose to 72 staff (previously 45) and 49 Scheme employers (previously 27).

Further promotion of these services will continue on the website and through member and pensioner newsletters. A promotion message and logo is included in all correspondence APF send to members and pensioners.

### 10.2 ADDITION TO LIST OF DISCRETIONS: *Payments for persons incapable of managing their affairs*

In 2010 Regulation 52A of the LGPS was inserted to allow the administering authority, at its discretion, "to pay a member's benefits (or any part of them other than children's pension) to a person having the care of the person entitled, or such other person as the authority may determine, to be applied for the benefit of the person".

The list of Discretionary Decisions has therefore been updated to include this. Exercise of this option is by Officers.

This new facility is helpful as it can be effected without the need for the signature of the member who may well be too incapacitated to give this. It is not expected that this provision will be used very often but when it is used it will be signed off at by two of the agreed panel of three Senior Officers.

The Committee is asked approve this change to the Fund's Discretions.

### 10.3 APF NOMINATION FOR AWARD FOR "BEST PENSIONS ADMINISTRATION"

APF was included in a shortlist of four in April 2012 for a National Award for **Best Pensions Administration. The Award** covering both public and private sector pension funds was run by **Financial News** (part of the Dow Jones Group). APF were second runner up beating the only other LGPS fund in the shortlist.

This has resulted in good publicity for the Fund and is a welcome public endorsement of the high quality of APF's current administration. The Fund's new Administration Strategy and its move to straight through processing by encouraging electronic data submission were cited as reasons for selection.

## 11. RISK MANAGEMENT

11.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. In addition, it monitors the benefits administration, the risk register and compliance with relevant investment, finance and administration regulations.

## 12. EQUALITIES

12.1 No equalities impact assessment is required as the Report contains only recommendations to note.

### 13. CONSULTATION

13.1 None appropriate.

### 14. ISSUES TO CONSIDER IN REACHING THE DECISION

14.1 This report is for noting only.

### 15. ADVICE SOUGHT

15.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	Various Accounting and Statistical Records