

Bath & North East Somerset Council			
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	11
MEETING DATE:	21 SEPTEMBER 2012		
TITLE: PENSION FUND RESTRUCTURE / MIDDLEWARE SOFTWARE PURCHASE (AUTO ENROLMENT)			
WARD ' ALL'			
AN OPEN PUBLIC ITEM			
<p>List of attachments to this report:</p> <p>Appendix 1 Report on Benefits Section Restructure/Justification for spend</p> <p>Appendix 2A Comparative salary costs for old and new benefit structures</p> <p>Appendix 2B Estimated Additional Spend in the Current and following Financial Years</p>			

1. THE ISSUE

- .1 The purpose of this report is to advise the Committee that it is necessary to restructure the pension benefits section in advance of significant changes to LGPS, the introduction of Auto Enrolment and the requirement to have a minimum standard of member data to comply with legal requirements
- .2 The restructure will result in a minimal increase in staff in the benefits area and include the creation of a Data Quality Management team with a reduction of the existing 3 benefits team to 2.
- .3 To assist Scheme employers in their compliance with *Auto Enrolment* the purchase of specialist software is proposed which will also provide automatic electronic updating of all members' changes on a **monthly** basis thus avoiding the spike of work at year-end and the need to resolve large numbers of errors. This will be a huge benefit to the Pensions Section and should improve efficiency processing in the long-term.

2. RECOMMENDATION

That the Committee approves:

2.1 The change in the structure of the Pension Benefits Department and authorises:

- An increase in the annual staff salary costs as shown in Appendix 2A
- Additional spend on other necessities to meet future challenges including new middleware software which will assist employers with their legal obligations under auto enrolment and provide monthly updating of member changes to the Fund's pension administration database as shown in Appendix 2B

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. THE PROPOSAL

- 4.1 The attached Report (**Appendix 1**) sets out the current position and the proposal for changes necessary to the existing Benefits teams to enable the Pensions Service to be appropriately and adequately structured and resourced to effectively deal with the major changes expected over the next 18 months. These changes include Auto Enrolment from early 2013, a new LGPS Scheme in April 2014 a legal requirement by the Pensions Regulator for a minimum quality standard of member data.

The position is exacerbated by an increase of over 40% in the number of Fund employers due to outsourcings and schools moving to academy status (from 110 in 2011 to over 150 at August 2012). This trend will continue in 2012 and 2013 and the number of employers is expected to exceed 170 by calendar year end.

In addition a number of schools have chosen to move away from the local authority's payroll and HR services and use an external payroll provider resulting in additional layer of complexity as the local authority retains the responsibility for advising changes in member data making automatic electronic notification virtually impossible. This also complicates the collection of pension contributions and

- 4.2 Auto enrolment requires employers to automatically enrol eligible staff mainly into LGPS. "Middleware" Software solutions which will help employers assess their staff as required by law are available. One solution available from the Fund's existing pension software suppliers will have the added advantage for the Fund of enabling **updating member records electronically on a monthly** basis from an employer's payroll extract. This will result in much more accurate data and will remove the need to rectify the large number of errors identified following the year-end reconciliation. The five largest employers are proposing to take this product and part of the arrangement is that the Fund purchases additional middleware software. The coverage for these employers is approaching 90% of the total active membership of the Fund. The annual cost of the middleware will be £34,500 approximately half of this cost will fall in this year's budget.
- 4.3 For both the new software to be effective in updating member records and for the Fund to be able to meet the Pension Regulators expected requirements on minimum member data quality standards a new Data Quality and Management Team is proposed. This will be resourced partly from the existing Pension Benefits Teams which were 3 but have temporarily reduced to 2 since the beginning of 2012 due to a Benefits Team Leader leaving service.
- 4.4 **APPENDICES:** The Report at **Appendix 1** sets out in detail the additional requirements in staff resource to meet the challenge of these changes and the additional spend on the purchase of middleware software. **Appendix 2A** contains the

Salary Costs (including on-costs) for the existing and proposed new Benefit Teams' structures. The change results in an increase in staff annual salaries of £106,235. **Appendix 2B** *Estimated Additional Spend in the Current and following Financial Years* details the incidence and impact on this and next year's budgets.

5. RISK MANAGEMENT

5.1 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.

6. EQUALITIES

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

7. CONSULTATION

7.1 None appropriate.

8. ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 This report is for noting only.

9. ADVICE SOUGHT

9.1 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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Background papers	