

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER	
MEETING DATE:	21 SEPTEMBER 2012		
TITLE: PENSION FUND ADMINISTRATION: (1) EXPENDITURE and (2) PERFORMANCE INDICATORS FOR 4 MONTHS TO 31 JULY 2012; (3) STEWARDSHIP REPORT FOR THE 4 QUARTERS TO 31 JULY 2012			
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AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 Summary Financial Account: 4 months to 31 July 2012			
Appendix 2 Summary Budget Variances: financial year to 31 July 2012			
Appendix 3A Balanced Scorecard : 4 months to 31 July 2012 (narrative)			
Appendix 3B Balanced Scorecard in 3A: Graphs for <i>selected</i> items			
Appendix 4A Customer Satisfaction Feedback in the 2 months to 31 July 2012 (Retirements from <i>ACTIVE</i> status)			
Appendix 4B Customer Satisfaction Feedback in the 2 months to 31 July 2012 (Retirements from <i>DEFERRED</i> status)			
Appendix 5 Active membership statistics over 24 months to 31 July 2012			
Appendix 6 Joiners & Leavers			
Exempt Appendix 7 Summary Performance Report on Scheme Employers performance for the 1st quarter 2012/13 and 5 quarters to 30 June 2012 (including late payers) – Annex 1 Retirements & Annex 2 Deferreds			
Appendix 8 Extract from CIPFA Benchmarking Comparators Report 2012			

1 THE ISSUE

- 1.1 The purpose of this report is to inform the Committee of administration and management expenditure incurred against budget for the 4 months to 31 July 2012. This information is set out in Appendices 1 and 2.
- 1.2 This report also contains Performance Indicators and Customer Satisfaction feedback for 4 months to 31 July 2012 and Stewardship Reports on Employer and APF performance in the 5 Quarters to 31 July 2012.

2 RECOMMENDATION

That the Committee notes:

- 2.1 **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 4 months to 31 July 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 4 months to 31st July 2012 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2013 is for net expenditure to be £20,000 below budget. Within the directly controlled Administration budget the forecast is for expenditure to be below budget by £20,000 mainly due to the decision to produce the LGPS 2014 booklet in the next financial year. In that part of the budget that is not directly controlled expenditure is forecast to remain on budget as additional compliance costs are recharged.
- 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 4 MONTHS TO 31 JULY 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 3A and 3B**) in the 4 month period was 6,837 tasks created and 6,523 cleared (95.41%), leaving an outstanding workload from the period of 314 tasks or 4.9% 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:

- High level use of the Avon Pension Website at around 6,000 hits on average each month continues as pensions remain high profile in the media (*Chart 2*)
- A continuing low level in short-term sickness (1.22%) and no long-term sickness; the use of temporary staff is within target (*Chart 3*)

- 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 1ST October each year.

In view of this, Employers were asked to submit the 2011/12 year-end information slightly earlier than previously - by 30th April. A report of those employers who at 31st July 2012 have yet to send in their information is included in the Stewardship Report (*Item 9 below*).

6 CUSTOMER SATISFACTION FEEDBACK IN 4 MONTHS TO 31 JULY 2012

6.1 Retirement Questionnaires

Appendix 4A reports on the customer satisfaction based on 88 questionnaires returned from **active** members retiring. On average 62% received their lump sum and 80% their first pension payments within "10 day" target (*See chart*).

Appendix 4B reports on the customer satisfaction based on 43 questionnaires returned from *former* active members retiring from **deferred** status. 78% received their lump sum and 81% 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 98.5% (See chart item 5 on both graphs).

6.2 Clinics: None due in 2012

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 24 members with more than 3 months service opted out over the 4 month period to 31 July 2012. When expressed as percentage of the total membership of 34,501 this is only 0.7% and is a very encouraging sign that significant numbers of members are not leaving the Scheme in advance of knowing definitely what the change to benefits will be in 2014. The fact that member contributions for LGPS did not increase in April 2012 whilst other public sector schemes did would have had a beneficial effect.

7.3 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 (to assist monitoring of Opt Out trends)

8.1 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) potential opt outs by members concerned about future scheme changes.

8.2 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 39 months period from 1 May 2009 to 31 July 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 31st July 2012 is slightly lower at 32,988

compared to 33,515 in May 2009 but there has been a 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 quarterly to the four unitary authorities to report on both their and Avon Pension Fund's administration performance against targets in the SLAs. Stewardship Reports for the remainder of the 160 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 the 4 Quarters to 31st July 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 1ST Quarter 2012 and cumulative 4 quarters to 31 July 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 July 2012.**
- **Year-End Status Report listing employers who have still not sent their full year-end information**

10 SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

10.1 **Employer Self Service**: Employers have been advised that Employer Self Service has been enhanced to allow online updating of member changes and that from next year this will be the only acceptable way to send the Fund changes; for those continuing to send in paper format additional costs may result.

10.1.1 Following this announcement and a concerted campaign to encourage employers to sign up 139 employers have returned forms confirming that they wish to register for ESS and the number of employers who have completed registration is now 52; however the remainder but have not yet completed registration. The Fund's Support & Development staff will continue to encourage these employers to complete registration to enable electronic online updating. Continuing encouragement will also be given to the remaining 30 or so employers who are yet to respond.

10.2 **Auto enrolment ("AE")**

10.2.1 **Special Employer Seminar**

Free to all employers in the Fund, Avon Pension Fund held two special half-day educational sessions at UWE's premises in Bristol in June run by Mercers the Fund actuaries and advisers to inform employers of their responsibilities under Auto Enrolment. ("AE"). These sessions were well appreciated by the 60 employees' staff who attended.

10.2.2 **Middleware Software:**

The Fund has been researching the use of *middleware software* which will assist employers meet their legal obligations under Auto Enrolment. From a set Staging Date (determined by staff numbers) all employers have to assess their workloads every month and identify which staff have to be enrolled into a qualifying pension scheme under the government's new initiative Auto Enrolment. A standard approach by employers on AE is important to the Fund so that its receipt of data is in one format and not fragmented. A suitable middleware software solution has been identified and the Fund is working with its five largest Fund employers who have agreed in principle to purchase this product which will ensure a smooth and simultaneous take up. These employers all have staging dates in 2013. Avon Pension Fund also needs to purchase software in connection with this and this is the subject of an earlier report to this Committee Meeting seeking its approval to proceed. The intention is therefore to purchase, test and commission the software by the early 2013 subject to contract clearance and Committee approval.

An additional facility included within this software which will significantly benefit the Fund and improve processing efficiency is the *monthly* automatic electronic updating of member records on the Fund's existing pension software.

10.3 **CIPFA Benchmarking 2012 Report:**

Each year the Avon Pension Fund (in the name of Bath & North East Somerset Council ("B&NES") as administering authority) participates in the **CIPFA Benchmarking Pensions Club** which compares the Fund with other local authority pension schemes who are members. 62 Funds took part in the benchmarking. The Fund chooses up to 18 Comparator Funds for its final report excluding local authority funds who are significantly different in size, location or constitution. An extract from the Report against chosen Comparators is attached as Appendix 8.

Page 4 of the Report shows the cost per member for B&NES against its comparators (whose names are shown on Page 5). These are also shown in graphic form on page 4. The heavy black line indicated the club average. In addition average costs per member and staff costs are shown over the previous 5 year period and in both cases it is encouraging to see that B&NES costs are consistently below the club average.

On page 5 of the Report it will be seen that for 2011/12 the total cost for B&NES is £17.71 compared to the group average of £21.54 which is 22% lower. This is despite its costs for communication being £2.05 against £0.81 and for accommodation £1.15 per member against £0.83. It should be noted that a conscious decision was made by the Committee some time ago to provide a top quality communication service to members including Newsletters and a first-class interactive web site which it is felt has contributed the number of direct member enquiries falling.

B&NES staff costs at £6.52 are much cheaper than the average of £9.58; its payroll cost per pensioner member at £1.07 is one of the cheapest at nearly a third of the

average cost of £3.04. Use of the Heywood integrated payments facility and sending only a limited number of payslips each year has accounted for much of this.

An important measure of efficiency is the number of members looked after by each staff member - the higher the better. B&NES is 4,617, 26% higher than the club average of 3,660.

In summary therefore, B&NES as the administering authority of the Avon Pension Fund is shown to be operating more efficiently in terms of cost and use of staff resource than the Benchmarking Club average.

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.

Contact person	Martin Phillips Finance & Systems Manager (Pensions)) (<i>Budgets</i>) Tel: 01225 395259. Steve McMillan, Pensions Manager (<i>All except budgets</i>) Tel: 01225 395254
Background papers	Various Accounting and Statistical Records