

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	14 DECEMBER 2012
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE IN 7 MONTHS TO 31 OCTOBER 2012 (2) PERFORMANCE INDICATORS 3 MONTHS TO 31 OCTOBER 2012; (3) SUMMARY PERFORMANCE REPORT FOR THE PERIOD FROM 1 APRIL 2011 TO 31 OCTOBER 2012
WARD:	ALL

AN OPEN PUBLIC ITEM

List of attachments to this report:

- Appendix 1 Summary Financial Accounts: 7 months to 31 October 2012
- Appendix 2 Summary Budget Variances: 7 months to 31 October 2012
- Appendix 3A Balanced Scorecard : 3 months to 31 October 2012 (narrative)
- Appendix 3B Balanced Scorecard in 3A: Graphs for *selected* items
- Appendix 4A Customer Satisfaction Feedback in the 3 months to 31 October 2012 (*Retirements from ACTIVE status*)
- Appendix 4B Customer Satisfaction Feedback in the 3 months to 31 October 2012 (*Retirements from DEFERRED status*)
- Appendix 5 Active membership statistics over 42 months to 31 October 2012
- Appendix 6 Joiners & Leavers statistics over 42 months to 31 October 2012
- Appendix 7 Summary Performance Report on Scheme Employers/APF performance for the period to 31 October 2012 (including late payers) – *Annex 1 Retirements & Annex 2 Deferreds*

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 3 months to 31 October 2012. This information is set out in Appendices 1 and 2.

1.2 This report also contains Performance Indicators and Customer Satisfaction feedback for 3 months to 31 October 2012 and Summary Performance Reports on Employer and APF performance from 1 April 2011 to 31 October 2012.

2 RECOMMENDATION

That the Committee notes:

2.1 Administration and management expenditure incurred for 7 months to 31 October 2012

2.2 Performance Indicators and customer satisfaction feedback for 3 months to 31 October 2012

2.3 Summary Performance Report for period from 1 April 2011 to 31 October 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 7 months to 31 October 2012 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2013 is for net expenditure to be £46,000 below budget. Within the directly controlled Administration budget the forecast is for expenditure to be above the original budget by £14,000. This includes £17,000 additional expenditure on the implementation of *i-Connect* approved by the Committee at its September 2012 meeting. In that part of the budget that is not directly controlled expenditure is forecast to be £60,000 below budget.
- 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 3 MONTHS TO 31 OCTOBER 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 3 month period was 5,864 tasks created and 5,717 cleared (97.48%), leaving an outstanding workload from the period of 147 tasks or 2.52% 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:

- Level of use of the Avon Pension Website fell slightly to 4,000 hits on average over the period but is still ahead of expectations as pensions continues to have a high profile in the media (*Chart 2*)
- A continuing low level in short-term sickness (1.37%) 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”).

All Annual 2011/12 Annual Benefit Statements including those for Councillors have been sent out.

6 CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 OCTOBER 2012

6.1 Retirement Questionnaires

Appendix 4A reports on the customer satisfaction based on 68 questionnaires returned from **active** members retiring. On average 75% received their lump sum and 88% their first pension payments within “10 day” target (See chart).

Appendix 4B reports on the customer satisfaction based on 35 questionnaires returned from *former* active members retiring from **deferred** status. 91% received their lump sum and 97% 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 97% (See chart item 5 on both graphs).

6.2 Clinics: None being held 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 35 members with more than 3 months service opted out over the 7 month period to 31 October 2012. When annualised this is 60 and expressed as percentage of the total membership of 32,756 this is only 0.18 % and is an encouraging sign that significant numbers of members are not leaving the Scheme now that the expected changes to benefits in 2014 are known. The fact that contributions for LGPS members did not increase in April 2012, as other public sector schemes did, would have had a beneficial effect on maintaining membership. For lower paid workers which make up a significant percentage of the Fund, contributions for the same or better benefits are unlikely to rise and in some cases could be lower!

The additional introduction of an alternative 50/50 scheme will also give those a cheaper option if the amount of their pension contribution in these austere times in the existing scheme is unaffordable. These all bode well for retention of members in the Scheme; however, the 50/50 option may actually encourage members of the current scheme to move to the lower level option to reduce their on-going contributions.

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 42 months period from 1 May 2009 to 31 October 2012 are shown 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 however at 31 October 2012 it has dropped to 32,756 compared to 33,500 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 **Performance Report** is now sent quarterly to each of the four unitary authorities to report on both their and Avon Pension Fund's administration performance against targets in the SLAs.
- 9.2 A Summary report to the Committee is now a requirement of the Administration Strategy. The Report for the period from April 2011 to 30 September 2012 is included as **Appendix 7**. Previously these were taken in *exempt session*. *The Pensions Committee however voted at its last meeting in favour of ceasing to review these in exempt session*. 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 and the steps taken to assist these employers in improving their performance to avoid the imposition of additional charges.
- 9.3 **Appendix 7** contains:
- Trend graphs for each of the largest employers *(viz. 4 unitaries) showing performance on supplying the Avon Pension Fund with accurate leaver forms (Retirements (Annex 1) and Deferreds (Annex 2)) for *cumulative* period from 1 April 2011 to 30 September 2012.
 - Report on late pension contributions by employers to the Fund due for the 3 months to 31 October 2012.
 - Year-End Status Report showing 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 April 2013 this will be the only acceptable way to send the Fund changes; for those continuing to send in paper format additional costs may result.

10.2 So far 149 employers have returned forms confirming that they wish to register for ESS and the number of employers who have completed registration is 52; however the remainder but have not yet completed registration. Development is now concentrated on Phase Two of ESS "Update facility" as all employers need to register to enable electronic online updating which is mandatory from 1 April 2013.

10.3 **Auto enrolment / i-Connect**

Following approval to proceed by the Pensions Committee in September 2012, the Avon Pension Fund has purchased additional middleware from *i-Connect* (a sister company of Heywood- supplier of the hardware) which will allow information on *starters* and *changes* to be uploaded **monthly** automatically into the APF's pension database from the employer's payroll data extract. This will be in respect of the 4 unitaries who have over 70% of the active membership and should result in due course in a significant improvement in the quality of timeliness of information submission resulting in improved member data and level of service the Avon Pension Fund will be able to provide to its members. The four unitaries have also signed contracts to take *i-Connect* which is necessary for the APF database monthly updating to operate.

The *i-Connect* product also has **another important function for employers** helping them meet their legal obligations under the recently introduced government *auto enrolment* regulations. The *i-Connect* software will continuously monitor an employer's workforce electronically every month assessing their staff for auto enrolment purposes and if an employee must legally be auto enrolled; *i-Connect* will report this, alerting employers to the requirement.

Further medium-sized Scheme employers are expected to sign up for *i-Connect* as each employer's staging date for auto enrolment approaches and they need to monitor their workforce; as they do, the coverage for automatic monthly updating of information on APF's pension database will increase.

The relative cost of *i-Connect* in comparison to other *middleware* products currently available is quite low (cost to employers is relative to their size) and it is likely that even smaller employers may wish to take it. The Fund is not actively encouraging its take up by other employers at present until the product is tested and is proven to work.

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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Background papers	Various Accounting and Statistical Records
Please contact the report author if you need to access this report in an alternative format	