

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	22 MARCH 2013
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE IN 10 MONTHS TO 31 JANUARY 2013 (2) PERFORMANCE INDICATORS 3 MONTHS TO 31 JANUARY 2013; (3) SUMMARY PERFORMANCE REPORT (1 APRIL 2011 TO 31 JANUARY 2013)
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 Summary Financial Accounts: 10 months to 31 January 2013 Appendix 2 Summary Budget Variances: 7 months to 31 January 2013 Appendix 3A Balanced Scorecard : 3 months to 31 January 2013 (narrative) Appendix 3B Balanced Scorecard in 3A: Graphs for <i>selected</i> items Appendix 4A Customer Satisfaction Feedback in the 3 months to 31 January 2013 (<i>Retirements from ACTIVE status</i>) Appendix 4B Customer Satisfaction Feedback in the 3 months to 31 January 2013 (<i>Retirements from DEFERRED status</i>) Appendix 5 Active membership statistics over 45 months to 31 January 2013 Appendix 6 Joiners & Leavers statistics over 45 months to 31 January 2013 Appendix 7 Summary Performance Report on Scheme Employers/APF performance for the period to 31 December 2012 (including late payers) – Annex 1 <i>Retirements & Annex 2 Deferreds</i> Appendix 8 Table of Additional Administration Charges	

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 January 2013. 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 January 2013 and Summary Performance Reports on Employer and APF performance from 1 April 2011 to 31 January 2013.

2 RECOMMENDATION

That the Committee:

2.1 Notes administration and management expenditure incurred for 10 months to 31/01/2013

2.2 Notes performance Indicators & customer satisfaction feedback for 3 months to 31/01/13

2.3 Notes the Summary Performance Report for period from 1/04/2011 to 31/01/2013

2.4 **Approves** the Schedule of Additional Charges for employer non-compliance in meeting SLA agreed performance targets on submission of member data.

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 10 months to 31 January 2013 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2013 is for net expenditure to be £107,000 below budget. Within the directly controlled Administration budget the forecast is for expenditure to be below the original budget by £56,000. This is largely due to reduced expenditure on salaries as a result of delayed appointments partly offset by £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 £20,000 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 JANUARY 2013

- 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 is usually reported by showing what **percentage** of the work is outstanding. In this period all new work received in the period was cleared and 703 cases of old work cleared so the percentage was zero. 5441 new cases were created and 6144 cleared (113%) 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 from 4,000 hits on average over the previous period to 3,681 in this period (*Chart 2*)
- A continuing low level in short-term sickness (1.35%) 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 CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 OCTOBER 2012

5.4.1 *Retirement Questionnaires*

Appendix 4A reports on the customer satisfaction based on 48 questionnaires returned from **active** members retiring. On average 79% 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 26 questionnaires returned from *former* active members retiring from ***deferred*** status. 90% received their lump sum and 86% 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 96% (See chart item 5 on both graphs).

5.4.2 **Clinics:** None were held in the period.

6 LEVEL OF OPT OUTS FROM THE SCHEME

6.1 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.

6.2 APF’s administration processes were amended in 2011 to identify opt outs in a reportable field. Reports run indicate that only 46 members with more than 3 months service opted out over the 10 month period to 31 January 2013. When annualised this is 55 and expressed as percentage of the total membership of 33,212 this is only 0.17 % 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!

6.3 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.

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

7 TRENDS IN MEMBERSHIP/JOINERS AND LEAVERS (to assist monitoring of Opt Out trends)

7.1 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.

7.2 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 45 months period from 1 May 2009 to 31 January 2013 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 and as at 31 January 2013 it stood at 33,212 compared to 33,500 in May 2009. There was an extraordinarily high numbers of joiners (average 482 per month) and the increased membership at 31 January 2013 of 33,212 compared to 32,989 at the end of October 2012 - an increase of 223 members (+ 0.67%). The LGPS Regulations required casual staff that had previously opted out to be offered membership of the LGPS again on 1 October 2012. (*This applied mainly to the*

unitaries and universities). The total numbers of staff re-offered membership are not known but the largest employer Bristol C.C. wrote to over 1,500 casuals. The take up was believed to be fairly low.

8 SUMMARY APF & EMPLOYER PERFORMANCE

8.1 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.

8.2 A Summary report to the Committee is now a requirement of the Administration Strategy. The Report for the period from April 2011 to 31 December 2012 is included as **Appendix 7**.

8.3 The Report discloses 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.

8.4 **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 31 December 2012.
- Report on late pension contributions by employers to the Fund due for the 3 months to 31 January 2013.

9 SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

9.1 **The project is progressing towards ELECTRONIC RECEIPT of all member data change information from 2013:**

9.1.1 Employer Self Service: Update

Employers have been advised that Employer Self Service has been enhanced to allow on-line updating of member changes and that from April 2013 for the unitary authorities this will be the only acceptable way to send the Fund member data changes. For less large employers to ease implementation of ESS and due to the much smaller number of transaction submissions, these employers will be phased over a 12 month period and will only go on line when changes arise. Following going on-line and having been given appropriate training on usage those employers who continue to send in changes paper format will be charged additional administration costs (see following item and **Appendix 8** for detail).

9.1.2 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).

The four unitary authorities signed contracts in December 2012 to take i-Connect which is necessary for the APF database monthly updating to operate. This will enable information on starters and changes to be uploaded monthly automatically into the APF's pension database from the employer's payroll data extract resulting in a significant improvement in the timeliness and quality of information submission. In time this will lead to improved member data and the level of service the Avon Pension Fund will be able to provide to its members.

The product is being tested and is expected to go live prior to the four unitaries' staging Dates for auto enrolment which are imminent.

Further medium-sized Scheme employers are expected to sign up for i-Connect in due course as each employer's staging date for auto enrolment approaches and they need to monitor their workforce every month to assess them for auto enrolment; 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 fully tested and is proven to work.

9.2 Annual Employers Conference 2013

This year's conference held at Mercure Hotel in Bristol in February attracted over 70 attendees from 42 diverse employers. The theme of the conference was "managing risk" in all aspects of running the Fund - investment, administration and compliance - by employers, the Fund administrators and by the Avon Pension Fund Committee. There were three external speakers including the Head of Pensions from the Local Government Association who gave an insight into the content and progress of the new 2014 LGPS. Feedback since received from attendees has been very positive.

10 ADDITIONAL ADMINISTRATION CHARGES FOR EMPLOYER NON-COMPLIANCE

10.1 It is proposed, as allowed for in the 2011 Pensions Administration Strategy, to begin charging employers who are non-compliant in sending information on time as specified in the Service Level Agreements (SLAs). Such non-compliance causes additional work in administering the Fund and that cost is unfairly borne by *all* employers including all those employers who are compliant. It is therefore equitable to introduce and enforce such additional charges. The table of the charges and their application is shown in **Appendix 8**. This will be published to employers shortly. It is hoped that if employers are aware in advance of the charging that their performance will improve so that such charges do not apply.

10.2 The Committee is asked to APPROVE the application of such charges and the level of those charges.

10.3 Future Pensions Administration Reports will include in the Employer Summary Reports details of these additional charges made for non-compliance.

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 items in this Report give rise to the need to have an equalities impact assessment.

13 CONSULTATION

13.1 None appropriate.

14 ISSUES TO CONSIDER IN REACHING THE DECISION

14.1 There are no other issues to consider not mentioned in this Report.

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	