

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	21 JUNE 2013
TITLE:	PENSION FUND ADMINISTRATION (1) EXPENDITURE FOR 12 MONTHS TO 31 MARCH 2013; (2) PERFORMANCE INDICATORS 3 MONTHS TO 30 APRIL 2013; (3) SUMMARY PERFORMANCE REPORT (1 APR 2011 TO 30 MAR 2013)
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Appendix 1	Summary Financial Accounts: 12 months to 31 March 2013
Appendix 2	Summary Budget Variances: 12 months to 31 March 2013
Appendix 3A	Balanced Scorecard : 3 months to 30 April 2013 (narrative)
Appendix 3B	Balanced Scorecard in 3A: Graphs for <i>selected</i> items
Appendix 4A	Customer Satisfaction Feedback in the 3 months to 30 April 2013 (<i>Retirements from ACTIVE status</i>)
Appendix 4B	Customer Satisfaction Feedback in the 3 months to 30 April 2013 (<i>Retirements from DEFERRED status</i>)
Appendix 5	Active membership statistics over 48 months to 30 April 2013
Appendix 6	Joiners & Leavers statistics over 48 months to 30 April 2013
Appendix 7	Summary Performance Report on Scheme Employers/APF performance for the period to 31 March (including late payers) – Annex 1 <i>Retirements</i> & Annex 2 <i>Deferreds</i>
Appendix 8	LGPS 2014 Scheme Implementation Project Plan

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 12 months to 31 March 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 30 April 2013 and Summary Performance Reports on Employer and APF performance from 1 April 2011 to 31 March 2013

2 RECOMMENDATION

That the Committee:

1.3 Notes administration and management expenditure incurred for 12 months to 30 April 2013

1.4 Notes Performance Indicators & Customer Satisfaction feedback for 3 months to 30 April 2013

1.5 Notes the Summary Performance Report for period from 1 April 2011 to 31 March 2013

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 the 12 months to 31 March 2013 are contained in **Appendix 1**.
- 4.2 The total variance for the year to 31 March 2013 was net expenditure £656,000 below budget. Within the directly controlled Administration budget expenditure was £152,000 below the original budget. The reduced expenditure in the Administration budget was mainly on salaries as a result of delayed appointments and in Communications as a result of the rescheduling of the LGPS 2014 booklet.
- 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 30 APRIL 2013

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**.

6 ADMINISTRATION PERFORMANCE

- 6.1 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 362 cases of old work cleared so the percentage was zero. 4216 new cases were created and 4578 cleared (108.59%) Such cases are always followed up on a continuing basis until they are cleared.

- 6.2 In other areas shown in selected **Graphs** the Fund:

- Level of use of the Avon Pension Website fell marginally from 3,681 hits on average over the previous period to 3,592 in this period (*Chart 2*)
- A continuing low level in short-term sickness (1.32%) and no long-term sickness; the use of temporary staff is within target (*Chart 3*)

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

6.4 CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 30 APRIL 2013

6.4.1 *Retirement Questionnaires*

Appendix 4A reports on the customer satisfaction based on 28 questionnaires returned from **active** members retiring. On average **76%** received their lump sum and **100%** their first pension payments within “10 day” target (*See chart*). *Item 3 on Appendix 4A* does disclose only a 40% success rate for paying the lump sum within 10 days. Although this is disappointing, it needs to be appreciated that this is in respect of only 5 out of the 28 members

Appendix 4B reports on the customer satisfaction based on 37 questionnaires returned from *former* active members retiring from **deferred** status. **100%** received their lump sum and **90%** their first pension payments within “10 day” target (See *chart*).

Customer Service Delivery

Clarity and preciseness of information provided by Avon Pension Fund was rated at 97% by both active and deferred retirees (See chart item 1 on both graphs).

Overall Service rating as either good or excellent from actives and deferreds on the service they received from Avon Pension Fund staff handling their retirement was 6

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

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 71 members with more than 3 months service opted out over the 13 month period to 31 January 2013. When annualised this is 66 and expressed as percentage of the total membership of 33,212 this is only 0.2 % 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.

7.3 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;

7.4 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 Opt Out trends) – EFFECT ON MEMBERSHIP OF THE START OF AUTO ENROLMENT

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 45 months period from 1 May 2009 to 31 April 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 30 April 2013 it stood at 33,426 compared to 33,500 in May 2009.

8.3 Bristol City Council, the Fund’s largest employer reached its staging date for auto enrolment on 1st March 2013 and has chosen to defer implementation, as allowed for, for up to 3 months until 1 June 2013. It also took the decision to opt back on 1st June 2013 all those employees who had opted out of the LGPS and remained opted out at that date. With approximately 20% of its eligible workforce opted out, the active membership could rise by over 2,000 giving a significant increase of 7% to the overall Fund. Obviously all those employees who are opted back in to the LGPS can choose

to immediately opt out again and if they do they will be re-enrolled in 3 years from the staging date in March 2016.

8.4 The remaining 3 unitaries have chosen to make use of the auto enrolment “transitional arrangements” which defers re-enrolling their opters-out back in the LGPS until October 2017. This decision has generally been taken on cost grounds.

8.5 The Committee will be kept aware of the on-going changes and the effect it is having on Scheme membership. If the funding position of the Scheme is significantly affected this will also be reported.

9 SUMMARY APF & EMPLOYER PERFORMANCE

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 1 April 2011 to 30 April 2013 is included as **Appendix 7**.

9.3 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.

9.4 **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 30 April 2013.
- Report on any late pension contributions by employers to the Fund due for the 3 months to 30 April 2013.

10 SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

The project is progressing towards electronic receipt of all member data change information starting from April 2013:

10.1 Report on year-end Information for employers

Reporting Position at 30th April (Deadline for submission of return). Of the 200 employers, 172 (86%) covering 98% of total active membership have sent all information required which is now being checked and uploaded onto the Pensions Administration Database. A period of grace to 8th May is being given before the charge of £250 for late submission is being levied. This is a much improved position from last year and the threat of charges seems to have focussed employers’ minds on meeting the deadline which was the Fund’s intention.

10.2 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 admin costs.

10.3 Auto enrolment / *i-Connect*

Following approval to proceed by the Pensions Committee in September 2012, the Avon Pension Fund purchased additional middleware from *i-Connect* (a sister company of Heywood- supplier of the hardware).

The Fund's 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 with the four unitaries and the first employer Bristol C C successfully went live on 10th May 2013 on schedule. **Bristol is the first local authority employer in the UK to go live on *i-Connect*.** This will give the Fund kudos as *i-Connect* are proposing to issue a National Press Release and also to produce a Case Study in the national press showcasing the Avon Pension Fund's success with *i-Connect*. The Fund has also offered to be a *Reference Site* for *i-Connect* for other local authority schemes and will be discussing what concessions it will be given by Heywood for this additional work which will assist *i-Connect* in selling its product.

Work is being done towards going live with B&NES and North Somerset Council who staged shortly after Bristol. Revised payroll data extracts are awaited from B&NES and South Gloucestershire Councils expected during June/July 2013. All four unitaries have now reached their staging dates and therefore it is important that the remaining three "go live" as soon as possible for them and for the Fund to benefit from the identification by *i-Connect* of employees to be auto enrolled and for the Fund to receive information electronically to allow automatic update of the Heywood pension administration database.

Further 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 comparative 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 take of *i-Connect* up by other employers at present until the product is fully tested, implemented and has run successfully for larger employers.

11. LGPS 2014 SCHEME IMPLEMENTATION PROJECT PLAN

11.1 Although a separate Report is being submitted to this Committee Meeting (Item 17) on the progress of the new Local Government Pension Scheme effective from April next year, it was felt it would benefit the Committee to see the Implementation Project Plan which the Administration Section has put in place to ensure that the Fund complies with all its legal duties and also puts the new Scheme seamlessly in place with a minimum of disruption to Scheme members and employers.

11.2 The Scheme will be working with other local authority pension schemes in the south west area on joint communications and scheme literature. A series of meetings with employers and members are being arranged at employers' venues over a 6-month period starting in January 2014. Using all available methods of communication the emphasis will be on the Fund explaining to existing members and employers what the change will mean for them.

11.3 A copy of the Implementation Project Plan is included as **Appendix 8**

12. RISK MANAGEMENT

12.1 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.

13. EQUALITIES

13.1 No items in this Report give rise to the need to have an equalities impact assessment.

14. CONSULTATION

14.1 None appropriate.

15. ISSUES TO CONSIDER IN REACHING THE DECISION

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

16. ADVICE SOUGHT

16.1 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	