

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	13 DECEMBER 2013
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>(1) EXPENDITURE FOR 7 MONTHS TO 31 OCTOBER 2013;</b> <b>(2) PERFORMANCE INDICATORS 3 MONTHS TO 31 October 2013;</b> <b>(3) SUMMARY PERFORMANCE REPORT (1 APR 2011 TO 31 OCTOBER 2013)</b>
WARD:	ALL
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1 Summary Financial Accounts: 7 months to 31 October 2013 Appendix 2 Summary Budget Variances: 7 months to 31 October 2013 Appendix 3A Balanced Scorecard : 3 months to 31 October 2013 (narrative) Appendix 3B Balanced Scorecard in 3A: Graphs only for <i>selected</i> items Appendix 4A Customer Satisfaction Feedback in the 3 months to 31 October 2013 ( <i>Retirements from ACTIVE status</i> ) Appendix 4B Customer Satisfaction Feedback in the 3 months to 31 October 2013 ( <i>Retirements from DEFERRED status</i> ) Appendix 5 Active membership statistics over 54 months to 31 October 2013 Appendix 6 Joiners & Leavers statistics over 54 months to 31 October 2013 Appendix 7 Summary Performance Report on Scheme Employers/APF performance for the period to 31 October 2013 (including late payers) – Annex 1 <i>Retirements &amp; Annex 2 Deferreds</i> Appendix 8 Risk Register	

### 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 7 months to 31 October 2013. This information is set out in Appendices 1 and 2.
- 2.1 This report also contains Performance Indicators and Customer Satisfaction feedback for 3 months to 31 October 2013 and Summary Performance Reports on Employer and APF performance from 1 April 2011 to 31 October 2013 as well as the Risk Register.

### 2 RECOMMENDATION

That the Committee notes:

- 2.2 Administration and management expenditure incurred for 7 months to 31 October 2013
- 2.3 Performance Indicators & Customer Satisfaction feedback for 3 months to 31 October 2013

2.4 Summary Performance Report for period from 1 April 2011 to 31 October 2013,

2.5 Risk Register.

### **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 7 months to 31 October 2013 are contained in **Appendix 1**.

4.2 The forecast for the year to 31 March 2014 is for net expenditure to be £751,000 over budget. Within the directly controlled Administration budget the forecast is for expenditure to be below budget by £20,000 due to the late appointments of staff in the Benefits and Data Quality teams. In that part of the budget that is not directly controlled expenditure is forecast to exceed the original budget by £771,000. This is due to increased Investment management fees resulting from the rise in markets since the budget was set, partly offset by a lower than expected expenditure on investment advice.

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 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**.

### **6 ADMINISTRATION PERFORMANCE**

6.1 The level of work outstanding from tasks set up in the period (Item C3 and graphs 4-6 of **Appendix 3A and 3B**) in the 3 month period is reported by showing what *percentage* of the work is outstanding. In this period 4772 new cases were received and 5111 were cleared representing 107% of outstanding cases.

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

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

#### **6.4 CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 October 2013**

##### **6.4.1 Retirement Questionnaires**

**Appendix 4A** reports on the customer satisfaction based on 61 questionnaires returned from active members retiring. On average 71% received their lump sum payment within "10 day" target (See chart). Item 3A on Appendix 4A does disclose an 80% success rate for paying the lump sum within 10 days of retirement.

**Appendix 4B** reports on the customer satisfaction based on 30 questionnaires returned from former active members retiring from deferred status. 88% received their lump sum and their first pension payments within "10 day" target (See chart).

#### 6.4.2 *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 92%.

### 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 2010 to identify opt outs in a reportable field. Reports run indicate that only 221 members with more than 3 months service opted out over the 43 month period to 31 October 2013. When annualised this is 62 and expressed as percentage of the total membership of 34,500 this is only 0.18 % and is an encouraging sign that significant numbers of members are not leaving the LGPS.
- 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 meeting.

### 8 TRENDS IN MEMBERSHIP/JOINERS AND LEAVERS (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 48 months period from 1 May 2009 to 31 July 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. However as at 31 October 2013 it had **increased to 35,510 compared to 32,688 a year earlier**.
- 8.3 The Committee will be kept informed of the on-going changes and the effect it is having on Scheme membership. In the event that 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 Pensions Administration Strategy. The Report for the period from 1 April 2011 to 31 October 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 31 October 2013.
- Report on any late pension contributions by employers to the Fund due for the 3 months to 31 October 2013.

## 10 SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

10.1 The project is progressing towards electronic receipt of all member data change information starting from April 2014:

### 10.2 **Employer Self Service: Update**

Employers were advised that *Employer Self Service* will be the only acceptable way to send the Fund member data (starters/leavers/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 in over a 12 month period and will only go on line when changes arise. Following this and having received appropriate training on usage those employers who continue to send in changes in paper format will be charged additional administration costs. As at 31 October 2013 22% of employers had received full training on ESS data submission – representing 59% of total scheme membership.

### 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 Fund's pension administration 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 was 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 showcasing the Avon Pension Fund's success. The Fund has also offered to be a *Reference Site* for *i-Connect* for other local authorities.

The latest developments since the last Committee Report are:

- **B&NES** has gone live on *i-Connect* from August 2013.
- **North Somerset Council** has finalised its payroll data extract and is on course to go live in December 2013.

- **South Gloucestershire (SG) Council:** have requested deferment on taking i-Connect pending the revised extract specification requirements needed to incorporate the new LGPS 2014.

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.

## 11 RISK REGISTER

11.1 The Risk Register follows the format of the Council's risk register for each service. It identifies the significant risks that could have a material impact on the Fund in terms of value, reputation, compliance or provision of service and sets out the action taken to manage the risk.

11.2 The Risk Register was reviewed by the pension management team in October 2013. The risks identified fell into the following general categories:

- (i) Fund administration & control of operational processes and strategic governance processes – mitigated by having appropriate policies and procedures in place, use of electronic means to receive and send data and information
- (ii) Service delivery partners not delivering in line with their contracts or SLAs – mitigated by monitoring and measuring performance
- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian – mitigated by processes to reconcile payments, regular review of strategic return and manager performance and annual review of investment strategy, robust legal contracts to protect against fraud & negligence
- (iv) Changes to the scheme – mitigated by project plans with defined milestones and responsibilities, progress reviewed periodically by management team
- (v) Increasing political pressure to reform scheme structure and governance frameworks and direct investment decisions – mitigated by having well defined investment policies and by engaging with the government through the consultation process

11.3 The Fund has invested significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service. The arrangements in place are supported by external and internal audit reviews.

11.4 The top 10 risks, including their likelihood, financial impact and mitigating actions are set out in **Appendix 8**.

11.5 The Risk Register is updated quarterly by officers and reported to Committee annually or when there is a change in significant risks.

## 12 INTERNAL AUDIT REPORTS

12.1 **Pensions Administration:** Internal audit completed its follow-up review of Pensions Administration carried out in February 2013. Of the recommendations identified in the February audit three High Risk Exposure recommendations had been fully implemented with one not implemented. The outstanding High Risk concerned the review and updating of the Records Retention Schedule and will be implemented

by March 2014. All Medium Risk Exposure recommendations had been fully implemented.

### **13 RISK MANAGEMENT**

13.1 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.

### **14 EQUALITIES**

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

### **15 CONSULTATION**

15.1 None appropriate.

### **16 ISSUES TO CONSIDER IN REACHING THE DECISION**

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

### **17 ADVICE SOUGHT**

17.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

<b>Contact person</b>	Martin Phillips Finance & Systems Manager (Pensions)) ( <i>Budgets</i> ) Tel: 01225 395259.  Geoff Cleak, Acting Pensions Manager ( <i>All except budgets</i> ) Tel: 01225 395277
<b>Background papers</b>	Various Accounting and Statistical Records
<b>Please contact the report author if you need to access this report in an alternative format</b>	