

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	28 MARCH 2014
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>(1) EXPENDITURE FOR 10 MONTHS TO 31 JANUARY 2014;</b> <b>(2) PERFORMANCE INDICATORS 3 MONTHS TO 31 January 2014;</b> <b>(3) SUMMARY PERFORMANCE REPORT (1 APR 2011 TO 31 January 2014)</b>
WARD:	ALL

### AN OPEN PUBLIC ITEM

#### List of attachments to this report:

Appendix 1	Summary Financial Accounts: 10 months to 31 January 2014
Appendix 2	Summary Budget Variances: 10 months to 31 January 2014
Appendix 3A	Balanced Scorecard : 3 months to 31 January 2014 (narrative)
Appendix 3B	Balanced Scorecard in 3A: Graphs only for <i>selected</i> items
Appendix 4	Customer Satisfaction Feedback in the 3 months to 31 January 2014 ( <i>Retirements from ACTIVE and DEFFERED status</i> )
Appendix 5	Active membership statistics over 57 months to 31 January 2014
Appendix 6	Joiners & Leavers statistics over 12 months to 31 January 2014
Appendix 7	Summary Performance Report on Scheme Employers/APF performance for the period to 31 January 2014 (including late payers) – Annex 1 <i>Retirements &amp; Annex 2 Deferreds</i>
Appendix 8	New LGPS 2014 Engagement Activity
Appendix 9	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 10 months to 31 January 2014. 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 January 2014 and Summary Performance Reports on Employer and APF performance from 1 April 2011 to 31 January 2014 as well as the Risk Register. In addition, this report also includes a summary of engagement activity with stakeholders on the communication of the New LGPSA 2014.

## 2 RECOMMENDATION

That the Committee notes:

2.2 Administration and management expenditure incurred for 10 months to 31 January 2014

2.3 Performance Indicators & Customer Satisfaction feedback for 3 months to 31 January 2014

- 2.4 Summary Performance Report for period from 1 April 2011 to 31 January 2014,
- 2.5 Member roadshow events and employer training sessions undertaken to communicate the New LGPS 2014, including sample customer feedback.
- 2.6 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 10 months to 31 January 2014 are contained in **Appendix 1**.
- 4.2 The forecast for the year to 31 March 2014 is for net expenditure to be £1,590,300 over budget. Within the directly controlled Administration budget the forecast is for expenditure to be below budget by £69,000 mainly due to delays in producing the new scheme leaflet, the late appointments of staff in the Benefits and Data Quality teams and delays in developing an employer data base. In that part of the budget that is not directly controlled expenditure is forecast to exceed the original budget by £1,659,300. This is due to increased Investment management fees resulting from the rise in markets since the budget was set.
- 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 2014**

- 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 C4 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 4505 new cases were received and 4675 were cleared representing 103.77% 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 4** reports on the customer satisfaction based on 76 questionnaires returned from members retiring from both active and deferred status (out of a total of 268 questionnaires issued in respect of the reporting period). 98% reported that the information provided by the Fund was both clear and concise with 96% rating the service as good or excellent.

## **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 261 members with more than 3 months service opted out over the 46 month period to 31 January 2013. When annualised this is 68 and expressed as percentage of the total membership of 35,000 this is only 0.19 % 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 for '*when times are tough*'. This bodes 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 57 months period from 1 May 2009 to 31 January 2014 are shown in a graph format in **Appendix 5**.
- 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 AVON PENSION FUND & 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 their own and APF's administration performance against agreed targets set in the SLA.
- 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 January 2014 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 January 2014.

- Report on any late pension contributions by employers to the Fund due for the 3 months to 31 January 2014.

## 10 SIGNIFICANT EVENTS SINCE LAST COMMITTEE REPORT

10.1 The Fund is continuing to progress towards electronic receipt of all member data change information:

### 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 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 January 2014 58% of employers had received full training on ESS data submission – representing 72% 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. Both Bristol CC and B&NES have been live since before the previous Committee Report.

10.4 The latest developments since the last Committee Report are:-

- **North Somerset Council** finalised its payroll data extract and the service went live in January 2014.
- **South Gloucestershire Council:** had requested deferment on taking *i-Connect* pending the revised extract specification requirements needed to incorporate the new LGPS 2014. Following testing, It is expected that the service will go live within the next 4 months.
- **One World Learning (Academy employer):** Has now signed for *i-Connect*. Data extract testing is currently being undertaken and it is expected that the service will go live shortly.

### 10.5 LGPS 2014 Engagement Activity

- **Member Roadshow Events:** Avon Pension Fund is visiting employers to deliver a one hour presentation (including a question & answer session) to employee members about the new LGPS 2014. Member Self Service (MSS) is also promoted. These events have been advertised and booked online via the APF employers' website. Roadshow events commenced in February and will continue until mid-July. A summary of the impact on APF available staff resource during this time is reported in **Appendix 8**.
- **Employer Training Events:** A series of training sessions specifically aimed at employer HR and Payroll staff have been arranged. Six sessions have so far taken place, with 71 employer organisations attending. One session was specifically targeted at academies (22 academies attended) and another aimed at town and parish councils.

- A series of workshops have also been arranged for employers. An LGPS Discretions Policy workshop, with a representative from the Pensions Ombudsman Office, took place in February with over 50 employers in attendance. Feedback was extremely positive and a further 3 employer framework events are planned for April.

## 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 9**.

11.5 The Risk Register is updated quarterly by officers and reported to Committee annually or when there is a change in significant risks. The move to new offices by November 2014 has been added to the register and is included in the table in Appendix 8 for information (risk impact is low).

## 12 INTERNAL AUDIT REPORTS

12.1 **Pensions Administration (Pensions Payroll)**: Internal audit completed its final review of Pensions Payroll in January 2014. The audit returned an Assurance Rating Level 4 (Good) with 3 low level weakness areas identified for action.

## 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>	