

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	27 JUNE 2014
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>(1) EXPENDITURE FOR FULL YEAR TO 31 MARCH 2014;</b> <b>(2) PERFORMANCE INDICATORS 3 MONTHS TO 30 April 2014;</b> <b>(3) SUMMARY PERFORMANCE REPORT (1 APR 2011 TO 30 April 2014)</b>
WARD:	ALL

### AN OPEN PUBLIC ITEM

#### List of attachments to this report:

Appendix 1	Summary Financial Accounts: Full year to 31 March 2014
Appendix 2	Summary Budget Variances: Full year to 31 March 2014
Appendix 3A	Balanced Scorecard : 3 months to 30 April 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 30 April 2014 ( <i>Retirements from ACTIVE and DEFFERED status</i> )
Appendix 5	Active membership statistics over 37 months to 30 April 2014
Appendix 6	Joiners & Leavers statistics over 12 months to 30 April 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 Deferred cases</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 12 months to 31 March 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 30 April 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 12 months to 31 March 2014

2.3 Performance Indicators & Customer Satisfaction feedback for 3 months to 30 April 2014

2.4 Summary Performance Report for period from 1 April 2011 to 30 April 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 12 months to 31 March 2014 are contained in **Appendix 1**.
- 4.2 The Net Expenditure to 31 March 2014 was £1,542,000 under budget. Within the directly controlled Administration budget expenditure was £347,000 below budget. This was mainly because a contingency for investment advice was not required, the production of the new scheme guide was postponed pending delayed Government announcements, and the annual Employer Conference was re-scheduled to September 2014. Additionally, there were late appointments of staff in the Benefits and Data Quality teams. In that part of the budget that is not directly controlled expenditure was £1,195,000 below the original budget. This was due to the appointment of new investment managers later than assumed when 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 30 April 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 6670 new cases were received and 6463 were cleared representing 96.9% of outstanding cases. This shows a slight decrease in performance over the previous quarter (103.77%) however the number of new cases received represented an increase in workload of 48% (previous quarter 4505 cases).
- 6.2 Graph 4 shows an increase in the number of workable cases at the end of the reporting period. Contributory factors to these increases can be attributed to the number of member enquiries generated by the introduction of the New LGPS 2014 and the ongoing Bristol CC severance exercise. The total for the 12 months to 30 April 2014 shows 20658 new cases being received and 208924 cleared representing 101.13% of outstanding cases over the year.
- 6.3 Other areas shown in selected **Graphs** the Fund:
- 6.4 Complaints: There were **no** complaints received in the period.

## 6.5 CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 October 2013

### 6.5.1 *Retirement Questionnaires*

**Appendix 4** reports on the customer satisfaction based on 106 questionnaires returned from members retiring from both active and deferred status (out of a total of 299 questionnaires issued in respect of the reporting period). 99% reported that the information provided by the Fund was both clear and concise with 99% 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 indicate that 0.19% of active membership with more than 3 months service opted out over the period to 30 April 2014.
- 7.3 The additional introduction of an alternative 50/50 scheme will also give members 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. A report will also be developed to report to the committee on the number of members electing for the 50/50 scheme.

## 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 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 60 months period from 1 May 2009 to 30 April 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 monthly 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 30 April 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 30 April 2014.
- Report on any late pension contributions by employers to the Fund due for the 3 months to 30 April 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 30 April 2014 58% of employers had received full training on ESS data submission – representing 72% of total scheme membership.

#### **10.3 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. Bristol City Council, B&NES and North Somerset are all live users of the product.

10.4 Considerable work has been undertaken by APF to ensure that the i-Connect product is fit for purpose. With technical changes brought about by the introduction of New LGPS 2014 and on-going work required to resolve historic issues with employer data extracts a temporary project team has been set up to work with both employers and the soft-ware provider to ensure a robust process and set of procedures is signed off and operational. An audit of the i-Connect process is planned for July 2014.

10.5 South Gloucestershire Council: has requested deferment on going live on i-Connect pending revised extract specification requirements needed to incorporate the new LGPS 2014. Following testing, It is expected that the service will go live in the near future.

#### **10.6 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 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 were held in April to cover employer discretionary policies and ill-health requirements were held in April attracting 45 employer representatives.

## 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.

## **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 - Business Support) have had the opportunity to input to this report and have cleared it for publication.

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<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>	