

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	10 DECEMBER 2010	
TITLE:	PENSION FUND ADMINISTRATION - EXPENDITURE FOR 7 MONTHS TO 31st OCTOBER 2010 AND PERFORMANCE INDICATORS FOR 3 MONTHS TO 31st OCTOBER 2010	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Summary Financial Account: current financial year to 31st October 2010	
Appendix 2	Summary Budget Variances: current financial year to 31st October 2010	
Appendix 3A	Balanced Scorecard : 3 months to 31st October 2010 (narrative)	
Appendix 3B	Balanced Scorecard in 3A: Graphs for <i>selected</i> items	
Appendix 4A	Customer Satisfaction Feedback in the 3 months to 31st October 2010 (narrative) (<i>Retirements from ACTIVE status</i>)	
Appendix 4B	Customer Satisfaction Feedback in the 3 months to 31st October 2010 (narrative) (<i>Retirements from DEFERRED status</i>)	
Appendix 4C	Customer Satisfaction Feedback in the months to 31st October 2010 (narrative) (<i>Pensions Clinics</i>)	
Appendix 5	Changes in Fund Employers since 1st April 2010	

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 current financial year to 31st October 2010. This information is set out in Appendix 1 and 2.
- 1.2** This report also contains Performance Indicators and Customer Satisfaction Feedback from recently retired members and from members attending Pension Clinics (see Appendices 3 & 4) for the 3 months to 31st October 2010.

2. RECOMMENDATION

2.1 That the Committee:-

- (i) Notes the expenditure for administration and management expenses incurred for the seven months ending 31st October 2010.**
- (ii) Notes the Performance Indicators for 3 months to 31st October 2010.**
- (iii) Notes the changes to Fund Employers since 1st April 2010**

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 have been prepared to cover the period 1 April to 31st October 2010. This summary of expenditure to 31st October 2010 and a forecast of expenditure for the year ending 31st March 2011 are contained in **Appendix 1** to this report.
- 4.2 The forecast variance for the full year to 31 March 2011 is for expenditure to be £32,000 over budget. Excluding Investment Management and custody fees the forecast for the year is that expenditure will be £6,000 under budget. The total variance is mainly due to an increase in fees payable to the Fund's investment managers.
- 4.3 The over-spend of £42,000 for the full year forecast on investment management fees is by just over 0.5% and is a reflection of higher market values than were anticipated in the original budget, particularly in the emerging markets. Within the forecast £7.1m fees £115,000 is performance related.
- 4.4 The forecast under-spend of £4,000 on custodian fees is as a result of the appointment of the Global Equity manager not being made as early as was assumed in the preparation of the budget.
- 4.5 Administration costs are forecast to be under spent by £3,000 over the full year. This is mainly due to a forecast under-spend on tracing. The budget for tracing was prepared on the assumption that the data cleansing exercise would lead to an increase in tracing however this has not risen by as much as was expected.
- 4.6 Communications costs are forecast to be under spent by £3,000 over the full year. Reduced expenditure on guides and leaflets are forecast to be partly offset by the one off costs of the implementation of the Heywood's Members Self Service System. This system is expected to recoup its cost over the next two years.
- 4.7 Compliance Costs are forecast to be £17,000 over-spent for the full year. This is due to the increased volume of work being undertaken by the actuary in relation to the triennial valuation and for FRS17 and new admitted bodies. Most of this additional expenditure has been offset by the reduction in external audit fees. The increased expenditure that has not been offset by the reduction in audit fees relates to FRS17 and new admitted bodies and is offset by the increase in Compliance Costs Recharged.
- 4.8 A summary of forecast variances for the full year is contained in **Appendix 2** to this Report.

5. BALANCED SCORECARD SHOWING PERFORMANCE INDICATORS (“PIs”) FOR THE 3 MONTHS TO 31 OCTOBER 2010

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 **Data Cleansing: The effect on work.** In the wake of the member data cleansing project for the actuarial triennial valuation a large number of “old” unprocessed leavers remained to be cleared, in many cases with limited or missing information..

5.3 **Transfers: Stockpiling again:** Although transfers in and out were back on track last quarter following receipt of GAD guidance and tables in September 2009, a further revision and publication of transfer factors needed following the government’s recent move to raising future pensions by the increase in the *CPI* instead of *the RPI* meant that transfers in and out had to again be stockpiled awaiting receipt of these latest revised factors. Consequently the numbers processed fell to a low level (only 25% for transfers in and 41% for transfers out).

Factors and guidance were received during October other than for Non Club Transfers In (viz. mainly Public Sector) which continue to be stockpiled. However this was too late to significantly increase the performance in this area. Figures for the next quarter are expected to improve following clearance of many of the above stockpiled cases.

Members who had applied for transfers were advised of the unavoidable delay and a prominent note was also posted on the Fund’s website to make members aware.

5.4 **Complaints:** There were **no** complaints received in the period

5.5 **Sickness absence:** APF staff continues to maintain an excellent record during the period with no long-term sickness and only 1.28% short- term sickness both well ahead of the APF 3% target and the Administering Authority’s 5% target.

5.6 **2010 Annual Benefit Statements** – Councillors and deferred members statements were sent to home addresses on time: The Annual Benefit Statement for actives is being redesigned to improve its appearance and quality and phased sending of the new-style statements will begin in early December spread over a period of 4 to 6 weeks.

6. CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31ST OCTOBER 2010

6.1 *Retirement Questionnaires*

Appendix 4A reports on the customer satisfaction based on **74** questionnaires returned from **active** members retiring. On average 77% of members received their lump sum and first pension payments within 10 days of the selected time measure. (See chart).

Appendix 4B reports on the customer satisfaction based on a small sample of **31** questionnaires returned from *former* active members retiring from **deferred** status. 93% received their lump sum and 85% their first pension payments within “10 day” target (See chart).

Overall service rating as good or excellent from both actives and deferreds on the service received from Avon Pension Fund staff handling their retirement was 96% (See chart Item 5 on both graphs).

- 6.2 **Clinics** In this period 7 clinics were held for members at all four unitary authorities and at Somer Housing. **163** members (who were all seen individually completed questionnaires following their session. Excellent feedback was received from with a good or excellent rating of 97.5% for the service provided by APF staff. The venue and location scored slightly less well but was still high at 90%. (See **Appendix 4C**)

7. OTHER MAJOR CHANGES DURING THE PERIOD

- 7.1 **SWITCH OVER TO ALTAIR FROM AXIS (PENSION SOFTWARE):** The Pensions administration software was upgraded in October. Significant time was required by staff I testing before going live and this combined with the data cleansing project did reduce the number of live cases that could be processed. Evens the performance was within target in most areas and work outstanding at the period end was even below the target 10% measure. This was quite remarkable and is a credit to the Pensions staff who worked particularly well in this very busy period. The switchover was a major project and it went fairly seamlessly and did not result in significant disruption to the service. As might be expected there were some initial teething problems concerning the running speed and response times but these have been fully resolved.

- 7.2 **SWITCH FROM GANDLAKE TO HEYWOOD:** Gandlake were the company chosen 3 years ago by the Fund to provide **member and employer access** to personal member pension data. Following an in depth review, the contract with Gandlake was not renewed in October 2010 after its initial 3 year period and instead it was decided to contract with the Fund's existing software supplier Heywood to provide this self - service facility for Fund members and employers. The *member* self-service from Heywood began as soon as the Gandlake facility end was seamless. Over 3,000 members who had previously registered with Gandlake were sent new pin numbers and activation codes to enable the switch to Heywood. The self-service facility for Scheme employers is due to commence in early 2011.

- 7.3 **GLOBALSCAPE:** The facility to send personal and confidential data securely which was available under Gandlake which ceased at contract end was replaced by a product from **Globalscape** which fortuitously Bath & North East Somerset Council had recently purchased for Council Departments. This cost of this software is very low and it has the added advantage that data can be sent *both ways* through a secure portal.

All costs for these changes have been reported to the Committee previously and are allowed for in the 2010/11budget.

8. UPDATE ON CHANGES IN FUND EMPLOYERS

Recent years have seen a prolific increase in the number of Employers joining the Fund. This has been due mainly to Outsourcings, schools becoming academies etc. The number has increased since 2008 from 97 to 110 Details of the current employers are in the recently published Fund Annual Report at 31st March 2010. It was agreed some time ago that the Committee would be kept up to date with changes in this area. **Appendix 5** shows the changes since 31st March 2010.

Further updates will be brought to Committee from time to time.

9. OTHER OPTIONS CONSIDERED

9.1 None appropriate.

10. RISK MANAGEMENT

10.1 This report contains only recommendations to note - no risk assessment is necessary.

11. EQUALITIES

11.1 No equalities impact assessment is required as the Report contains only recommendations to note.

12. ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Director of Resources and Support Services) 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