

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	23 September 2016
TITLE:	PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT to 30 June 2016 (2) PERFORMANCE INDICATORS - 3 MONTHS TO 30 June 2016 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:- Appendix 1 Employer/APF - scheme leaver performance report to 30 June 2016 Appendix 2 Active membership statistics over 12 months to 30 June 2016 Appendix 3 Joiners & leavers statistics over 12 months to 30 June 2016 Appendix 3A & 3B Active members demographic as at July 2016 Appendix 4 Late payers report – up to 30 June 2016 Appendix 5 Balanced Scorecard : KPI's - 3 months to 30 June 2016 Appendix 5A Annex 1 & 2 Admin case workload status as at 30 June 2016 Appendix 6 IDRPs Schedule Appendix 7 TPR – Data Improvement Plan – to 30 June 2016 Appendix 8 Risk Register	

1 THE ISSUE

- 1.1 The purpose of this report is to inform Committee of Performance Indicators for 3 months to 30 June 2016 and Summary Performance Reports on Employer and APF performance over 4 years to 30 June 2016 as well as the Risk Register.
- 1.2 Further to the introduction of The Pension Regulator (TPR) Code of Practise 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 this report also includes progress on the Data Improvement Plan plus level of employer compliance.

2 RECOMMENDATION

That the Committee notes:

- 2.1 Summary Performance Report and Performance Indicators to 30 June 2016.
- 2.2 Progress on the Data Improvement Plan
- 2.3 Risk Register

3. Employer Performance

- 3.1 As part of the Pensions Administration Strategy which came into effect in April 2011 a **Performance Report** is 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.
- 3.2 A summary report to the Committee is a requirement of the Pensions Administration Strategy. The Report for the period to 30 June is included as **Appendix 1. (Annex 1,2 &3)**
- 3.3 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
- 3.4 Separate bar charts are displayed for APF and each of the four Unitary Authorities and collectively 'Other' employers reporting an event during the period. Performance against retirements and early leavers is measured against agreed SLA targets. **Annex 1** shows achievement within target over the current quartile. **Annexes 2 and 3** are comparator reports over the previous 4 year period. It should be noted that for the current year reports for are currently reflecting targets set under the previous SLA (April 2011) and do not take into consideration the increased allowance incorporated in the revised Pensions Admin Strategy (June 2015) reflecting the complexities of the new CARE scheme arrangements. Revised performance reports are currently being finalised and will be presented at the next Pensions Committee following completion of phases 1, 2 and 3 of the Task Workflow project.
- 3.5 **TASK WORKFLOW**
- 3.6 A new member leaver form checking process has been introduced from March which will immediately flag employer data submission errors and omissions. It also addresses any issues at point of receipt enabling a prompt communication back with employers where necessary.
- 3.7 During the period 1st May to 31st July a total of 2108 leaver forms have been received with an average error rate of approx. 32%. Reporting on types of errors and by employer is now possible. This will enable the Fund to analyse the data and work with employers to improve the quality of their leaver forms.
- 3.8 So far the biggest percentage of errors is from employers performing incorrect pay calculations under the two separate definitions of LGPS pensionable pay (CARE earnings for the 2014 scheme and whole time pensionable pay for the previous scheme definition). Additionally a significant number of employers submit blank leaver forms via Employer Self Service.
- 3.9 The leaver form has now been reviewed to improve the layout and provide more guidance notes for employers. A training course has been put together to guide employers through the leaver form in more detail and includes comprehensive training on pay calculations. The new form and the training session is due to be piloted with Banes & North Somerset Payroll Departments in July / August and based on feedback received we plan to launch the new form and the training course later in August /September.
- 3.10 From the data it has also been identified that some employers who have been trained to use ESS are still sending leaver forms via paper and this will be addressed with employers.

4. Trends in Membership/Joiners & Leavers

- 4.1 Active Membership figures in graph format are included as a standard item for Committee meetings to monitor the trend in member movements at this continued volatile time when higher than normal level of 1) redundancies and 2) potential opt-outs by members concerned about scheme changes and affordability.
- 4.2 The Committee will be kept informed of the ongoing changes and the effect it is having on LGPS membership. In the event that the funding position of the Scheme is significantly affected this will also be reported.
- 4.3 The active membership statistics are shown in graph format in **Appendix 2** and the numbers of joiners and leavers feeding into this also in graph format in **Appendix 3**. The increase in membership over the twelve months to 30th June reflects an increase in the number of part-time workers and workers with multiple employment posts. **Appendix 3A & 3B** provides a detailed breakdown of employer/member ratio and split between whole time and part-time membership as well as a snapshot of individual employer and member make up. The increasing number of new smaller employers to the Fund as part of the fragmentation of the employer base (newly created Academies and Transferee Admitted Bodies) has a direct impact on the administration workload with increased movement between employers, especially within the education sector. Continued development of data reporting going forward will enable further understanding of the demographic nature of employer type and associated member make up as employers continue to evolve.

5. Late Payers Report

- 5.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.
- 5.2 The Fund maintains a record of all late payments, showing the days late, the amount of payment and reason for delay and whether the amount is of significance.
- 5.3 **Appendix 4** reports late payers in the 3 month period to 30th June 2016. None of the late payments during this period are considered to be a material breach and consequently they will not be reported to the Pensions Regulator at this time. The fund considers a material breach to be the product of repeated breaches. A single breach will only be considered material if it is deliberate or there is dishonesty or there is no expectation that it will be corrected.

6. Year End Data Receipt & Provision of Annual Benefit Statements

- 6.1 The Year End (YE) process is a statutory requirement for employers to provide the Fund with membership data. The data is used to provide members with their Annual Benefit Statement (ABS) by the statutory deadline of 31 August and used by the Fund Actuary as part of the triennial valuation process, which determines individual employer contribution rates.
- 6.2 The YE process concluded, following a period of data cleansing, on 30th June. All employers submitted their data in order for the Annual Benefit Statements to be run. The YE data was submitted to the Fund's Actuary, Mercers for the Triennial Valuation by agreed deadlines.

6.3 The Annual Benefit Statement process began in July. The deferred members ABSs were sent out towards the end of July. Of those 2,500 members deferred (left the scheme) in 2015/16 and a partial negative revaluation needs to be applied to their pension figures. The software which will do this is not expected until Oct/Nov, therefore these statements were sent with a disclaimer and explanation to notify members. All active member ABSs were sent by the 31st August deadline. However, the Fire ABS process was delayed, due to late software updates, the complexity of the fire schemes and the need to check data to ensure that the ABS was accurate. The Fire ABS will therefore be sent to members by 30th September. We are keeping the Fire Service updated on this and as administering authority we have notified The Pension Regulator that we have breached the 31st August deadline.

6.4 Breaches

6.5 As required under TPR Code of Practice No. 14 the Fund has implemented an approved Breaches Policy. Employers who have failed to meet set deadlines for the submission of data or for incomplete/incorrect data will be subject to further action under the policy. A summary report will be included in the next paper to both LPB and Pensions Committee

7. Avon Pension Fund – Administration Performance

7.1 Balanced Scorecard detailing Key Performance Indicators for the 3 Months to 30th June 2016

7.2 The information provided in this report is based on the Avon Pension Fund's Service Level Agreement which falls in line with the industry standards set out by the LGPC & used in CIPFA benchmarking. All standards fall within the regulatory guidelines set out in The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations 2015 which require provision of information to members.

7.3 Full details of *performance against target*, in tabular and graph format, are shown in **Appendix 5**. Reports are currently being reviewed as part of the Task Workflow Project and it is expected that new and updated versions will be produced in December 2016.

8. Admin Case Workload

8.1 The level of work outstanding from tasks set up in the period (Item C4 and associated annex 1 & 2) in the 3 month period is reported in **Appendix 5A** by showing what *percentage* of the work is outstanding. As a snapshot, at 30th June 2016 there were 4753 cases outstanding of which 39% represents actual workable cases and 61%

8.2 of the 39% workable cases approximately 71% of this total is attributed to case workload delayed in action due to late release of GAD guidance or legislation (ie linking/aggregation of membership and member benefit transfer investigation). As previously reported, these cases are now being progressed.

9. CUSTOMER SATISFACTION FEEDBACK - RETIREMENTS

9.1 In March the APF re-launched its member website, with an online customer service questionnaire for recent retirees. This replaced the “paper” questionnaires, which have now ceased. However the online returns have been lower than expected and at this point could not be used to provide a statistically accurate overview. We are looking at increasing the opportunities across the website to gather customer satisfaction feedback and will report back to the Committee with an update.

10. IDRП Report

10.1 Under the LGPS Regulations there is the provision that Scheme Members can exercise a right of appeal for any disagreement that cannot be resolved.

This is done under an IDRП. The table in **Appendix 6** shows the cases going through at the present time.

11. The Pensions Regulator Data Improvement Plan

11.1 Summary of Data Improvement Plan Data as at 30th June 2016 is shown below with a comprehensive breakdown attached in **Appendix 7**

Summary of Data Improvement Plan Data as at 30 June 2016

Data type	Cases brought forward	New cases in period	Completed in period	Outstanding	Completeness of date as % of membership
Actives	1584	1027	467	2144	99.56%
Deferreds	4762	196	181	4777	98.83%
Pensioners	176	1	7	170	99.91%
Dependants	68	9	11	66	99.78%
Total	6590	1233	666	7157	99.36%

11.2 Over the last couple of months there has been an increase in errors due to the results of the year end exercise. So far 526 missing leavers and 399 missing starters have been identified despite the work that was done in January / February to prompt employers to start looking at their data ahead of the year end exercise. However the missing data is in the process of being requested from employers and we hope to work with employers over the coming months to reduce these errors.

11.3 Due to the year end and in preparation for the Valuation resource to work on TPR queries has been reduced and re-directed to checking of leaver forms and processing of deferred and refund cases. However this will be reverted now that the Valuation extract has been run.

11.4 Data improvement reports will be updated on a monthly basis and reported to Committee quarterly. Reports will be developed to demonstrate work undertaken on the correction of historic cases already identified and new cases identified during each reporting period.

12 RISK REGISTER

12.1 The Risk Register follows the Council's format 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. Risks identified cannot be eliminated but can be treated via monitoring.

12.2 The risks identified fall into the following general categories:

- (i) Fund administration & control of operational processes and strategic governance processes and TPR compliance – 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

12.3 The Fund continues to invest 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.

12.4 The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in August 2016. A new risk following Brexit has been added. The main risks are that the decision to leave the EU may have both negative implications for the investment strategy and expected returns/risk levels. Short term impact is mainly via depreciation of sterling. These risks are mitigated by:

- Impact assessed at quarterly Panel and Committee meetings when strategy is monitored.

- Strategy Investment review in 2017 will reset investment expectation and evaluate investment opportunities having assessed the impact of Brexit on investment markets and liabilities.

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

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.

Contact person	Geoff Cleak, Acting Pensions Manager Tel: 01225 395277
Background papers	Various Statistical Records
Please contact the report author if you need to access this report in an alternative format	