

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	9 December 2016
TITLE:	PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT to 30 September 2016 (2) PERFORMANCE INDICATORS - 3 MONTHS TO 30 September 2016 (3) TPR COMPLIANCE
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:-</p> <p>Appendix 1 Employer/APF - scheme leaver performance report to 30 Sept 2016</p> <p>Appendix 2 Active membership statistics over 12 months to 30 September 2016</p> <p>Appendix 3 Joiners & leavers statistics over 12 months to 30 September 2016</p> <p>Appendix 3A Active members demographic as at September 2016</p> <p>Appendix 4 Late payers report – up to 30 September 2016</p> <p>Appendix 5 Balanced Scorecard : KPI's - 3 months to 30 September 2016</p> <p>Appendix 5A Annex 1 & 2 Admin case workload status as at 30 September 2016</p> <p>Appendix 6 IDRP Schedule</p> <p>Appendix 7 TPR – Data Improvement Plan – to 30 September 2016 2016</p> <p>Appendix 8 Risk Register</p>	

1 THE ISSUE

- 1.1 The purpose of this report is to inform Committee of Performance Indicators for 3 months to 30 September 2016 and Summary Performance Reports on Employer and APF performance over 4 years to 30 September 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 September 2016.
- 2.2 Customer Satisfaction feedback to 30 September 2016
- 2.3 Progress on the Data Improvement Plan
- 2.4 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 September is included as **Appendix 1**.
- 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 the Task Workflow project in November 2016.

3.5 TASK WORKFLOW

- 3.6 A new member leaver form checking process has been introduced from March which immediately flags 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 from 1 July to 30 September a total of 2147 leaver forms were received with an average error rate of 25.57%. Reporting on types of errors and by employer is now possible. This has enabled the Fund to analyse the data and work with employers to improve the quality of their leaver forms. This improvement is now evident with a reduction from 34.21% error rate for the period April to June to 25.57% error rate for the period July to September.
- 3.8 For this period the biggest percentage of errors is from incorrect pay calculations and National Insurance / Contribution figures.
- 3.9 The new leaver form has now been implemented with positive feedback from 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 were piloted with Banes & North Somerset Payroll Departments. An ongoing programme of training courses has now been set up.

4 CUSTOMER FEEDBACK – Retirements

- 4.1 Following the launch of the online questionnaire for recent retirees, we have had a small number of responses, allowing us to report initial levels of customer satisfaction with the APF to 30 September 2016.

83% of respondents indicated that they were very satisfied (67%) or fairly satisfied (16%) with service they received from the Avon Pension Fund. Comments included: *“The service I received was perfect! Everything was explained very clearly. Thank you!”* and *“The staff at the Keynsham Civic Centre were very helpful”*

We are continuing to explore ways to gather more customer feedback and will report to the Committee on progress.

4.2 Trends in Membership/Joiners & Leavers

- 4.3 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.
- 4.4 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.
- 4.5 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 September 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 statutory deadline for members (both deferred and active) to be sent their Annual Benefit Statement (ABS) was 31 August. By this date 100% of active ABS's with complete data set (appx 32,000) were sent. 92.43% of deferred members (around 30,500) were sent by 31 July, with the remaining 7.57% (2,500) by 2 September.
- 6.2 The two day delay in sending the 2,500 deferred members was due to them leaving and deferring their pension in 2015/16 and having to highlight on their statement that, due to negative revaluation, their figures would be subject to a slight amendment. The calculation software is not yet available for this calculation to be made. Affected members will be updated as soon as this calculation is available.
- 6.3 The fund can only provide an accurate ABS based on the data currently held. The TPR improvement plan identifies areas where data from the employer is missing or incomplete (and therefore an ABS cannot be produced). For the 2015/16 ABS run data was not available for approximately 1,400 members (4.18% of active members). This figure represents a mixture of Year End CARE data and leaver forms still outstanding from the employer and leavers with our admin section, awaiting calculation or a response from the member.
- 6.4 The table below highlights the % of members where CARE data was not submitted as at 31st March 2016 by key employers

Employer	BANES	BCC	NSC	SGLOS	Others
% of members where CARE not submitted	7.14%	2.18%	0.87%	1.17%	6.90%

6.5 These queries are being dealt with as part of the Funds ongoing TPR data improvement plan.

6.6 Breaches – Year End 2015/16 Employer Breaches

6.7 The following employers breached the deadline of 30 April set by APF for submission of their Year End data. The employers did eventually supply the required data to enable the Annual Benefit Statements for members to be produced and for the Actuarial Valuation. However this was a number of weeks/months after the deadline date and despite a number of recorded attempts by APF to request the information. Therefore these five employers will be invoiced for the penalty fine amounts indicated below.

Employer	Year	Breach type	Breach description	Penalty
Employer A	2015/16	Year End 2015/16	30/04 data submission deadline missed	£250
Employer B	2015/16	Year End 2015/16	30/04 data submission deadline missed	£250
Employer C	2015/16	Year End 2015/16	30/04 data submission deadline missed	£250
Employer D	2015/16	Year End 2015/16	30/04 data submission deadline missed	£250
Employer E	2015/16	Year End 2015/16	30/04 data submission deadline missed	£250

- 6.8 A further 30 employers breached the data queries exceeding 10% of membership levels set by the APF. We will communicate with these offering them the option of taking up a bespoke training workshop to improve performance or if they decline this, the penalty fine (£250) will be levied. These letters/emails will be sent in the next few weeks and the breaches control spreadsheet will be updated according to the employer's response. We will update the Board accordingly.
- 6.9 The above breaches are not considered material breaches. They will be reported to the Pensions Board and Pensions Committee, but are not considered of a significant nature to be reported to the Pensions Regulator.
- 6.10 The number of breaches for 2015/16 are significantly lower than previous year, indicating that promotion to all employers of their Year End responsibilities, the breaches policy, potential penalty fines as well as training opportunities and support from APF are proving effective.

7. Avon Pension Fund – Administration Performance

7.1 Balanced Scorecard detailing Key Performance Indicators for the 3 Months to 30th September 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.

8. Admin Case Workload

- 8.1 The level of work outstanding from tasks set up in the 3 month period is reported in **Appendix 5A** by showing what *percentage* of the work is outstanding. As a snapshot, at 30th September 2016 there were 6559 cases outstanding of which 73% represents actual workable cases and 27% represents cases that are part complete, pending a third party response.
- 8.2 The increase in workable cases is due to a combination of events:
- The checking of leaver forms was moved from the Data Quality Team to the Benefits Team at the start of September. Although the forms are now being checked the same day, the Team have had less resource available to work on other outstanding cases. 2 team members have now moved from the Data Quality Team to the Benefits Team to help reduce the outstanding work.
 - The volume of incoming work has increased due to the ongoing impact of employers' clearing up outstanding leaver forms at year end.
 - App 2000 linking tasks have been set up. A process for dealing with all new linking cases has been rolled out to the Benefits Team and a monthly report

will now be run to pick up new cases. The 2000 cases includes the remaining backlog of cases built up between April 2014 and September 2016 which were not cleared as part of the project. The Fund's software provider, Heywood only updated the pensions system (Altair) to allow correct processing of these cases in May 2016.

- A project has started to reduce the number of cases held at 'reply due' stage. As at the end of June 2900 cases were at 'reply due'. At the end of September this had reduced to 1767 cases.

8.3 All reports are being reviewed as part of the Task Workflow Project and it is expected that new and updated versions will be available for approval by the Committee in Spring 2017. The majority of workflow tasks and processes have now been reviewed and the project is due to end in November. The ongoing maintenance of the workflows and procedures will form part of the new Quality Assurance Team following the re-structure.

9. IDRP Report

9.1 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 IDRP. The table in **Appendix 6** shows the cases going through at the present time.

10. The Pensions Regulator Data Improvement Plan

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

Data type	Cases brought forward	New cases	Completed	Outstanding	Completeness as % of membership
Actives	2,144	296	763	1,677	99.65%
Deferreds	4,777	151	286	4,642	98.88%
Pensioners	170	4	78	96	99.94%
Dependants	66	23	78	11	99.96%
Total	7,157	474	1205	6,426	99.61%

10.2 All the year end queries have now been requested from employers along with any other TPR queries for active members. Therefore it is expected that the active member TPR queries will reduce over the next few months. Work is still continuing to establish all queries for Banes and North Somerset with a view to working with a dedicated resource at APF and at the employer sites to resolve all queries before the end of the year and before they resume data provision via IConnect.

10.3 Following the year end process contact is being made with all employers who had over 10% errors to arrange further training on responsibilities and data provision.

10.4 The Pension Payroll Team have considerably reduced the queries in respect of out of date addresses. So far searches for missing addresses have been mainly on an individual basis using Tracesmart (Lexis Nexis) and therefore progress has been slow.

In order to reduce the missing addresses for deferred members a bulk request of 100 addresses a time will be made using Accurate Data Services Ltd (Heirtrace)

10.5 As at 30 September 95.66% of active members had CARE pay loaded and 94.63% of members had pension remuneration figures posted.

11 RISK REGISTER

11.1 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.

11.2 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

11.3 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.

11.4 The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in October 2016.

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

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.

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	