

| <b>Bath &amp; North East Somerset Council</b>  |  |
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| MEETING:   | <b>AVON PENSION FUND COMMITTEE</b>   |
| MEETING DATE:  | <b>22<sup>nd</sup> JUNE 2018</b>   |
| TITLE:   | <b>PENSION FUND ADMINISTRATION</b><br><br><b>(1) SUMMARY PERFORMANCE REPORT TO 31<sup>st</sup> March 2018</b><br><b>(2) PERFORMANCE INDICATORS TO 31<sup>st</sup> March 2018 2017</b><br><b>(3) TPR COMPLIANCE</b> |
| WARD:  | <b>ALL</b>   |
| <b>AN OPEN PUBLIC ITEM</b>   |  |
| <p><b>List of attachments to this report:</b></p> <p>Appendix 1 – Membership data</p> <p>Appendix 2 – Performance Measurement against SLA and Workloads</p> <p>Appendix 2a – SLA Measurement Schedule</p> <p>Appendix 2b – Performance Measurement against Statutory Legal Deadline</p> <p>Appendix 2c – Statutory Legal Measurement Schedule</p> <p>Appendix 3 – Employer Performance</p> <p>Appendix 4 – TPR Data Improvement Plan</p> <p>Appendix 5 – Late Payers</p> <p>Appendix 6 – Customer Feedback</p> <p>Appendix 7 – IDRP Current Cases</p> <p>Appendix 8 – Risk Register Top 10</p> |  |

## **1 THE ISSUE**

- 1.1 The purpose of this report is to inform the Committee of performance figures for Fund Administration for the three months to 31<sup>st</sup> March 2018.
- 1.2 Further to the introduction of The Pension Regulator (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, this report includes progress on the TPR Data Improvement Plan and levels of employer compliance.

## **2 RECOMMENDATION**

The Committee is asked to note:

- 2.1 Membership data, Fund and Employer performance for the 3 months to 31<sup>st</sup> March 2018.
- 2.2 Progress and reviews of the TPR Data Improvement Plan.

### **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications related to this report as it is an information report.

### **4 MEMBERSHIP TRENDS**

- 4.1 *Appendix 1* provides a detailed breakdown of employer/member ratio and split between whole time and multiple employment 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/MAT's 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 AVON PENSION FUND – ADMINISTRATIVE PERFORMANCE**

- 5.1 Key Performance Indicators for the 3 months to 31 March 2018.
- 5.2 The information provided in this report is based on the Avon Pension Fund's performance against the 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 (as amended) which require provision of information to members.
- 5.3 Full details of performance against target, in tabular and graph format, are shown in *Appendix 2; Annex 1 to 4*. *Annex 2* has been amended to show the total cases processed over each quarter. *Appendix 2a* has been included to provide further context around the measurement of APF performance against the SLA.
- 5.4 As recommended by the Pension Board, a new suite of reporting has been developed to report on APF performance against legal statutory deadlines. In all cases the legal deadlines are less stringent than the SLA targets. *Appendix 2b* sets out performance against legal target and *Appendix 2c* provides legal context.
- 5.5 The last quarter has shown further improvement in performance against SLAs in 10 out of 14 areas of administration work, this is despite receiving higher than usual volumes of leaver notifications due to employers fulfilling their year-end obligations. The project to clear the backlog of deferred cases was successfully completed mid-February with approximately 1400 cases being cleared in total. As predicted, work undertaken as part of the project has continued to have a negative impact on APF performance statistics for deferred cases over the quarter as it did over the last quarter, however, this should continue to improve going forward. A project to clear the backlog of inter-fund transfers was started in early March and despite no additional resource being allocated to this the Member Services team have made good progress and managed to clear 80 out of 190 cases to date. The next backlog to be addressed on the team will be member Aggregation cases for which the Fund administration is currently in the

process of recruiting additional resource to address this significant backlog of work without impacting on 'business as usual' and performance in other areas.

- 5.6 Resource Update - The Member Services team have successfully recruited a temporary employee into the Assistant Pensions Officer position which had become vacant as the result of maternity leave. A half time Senior Pensions Officer from the Quality Assurance team will also be temporarily seconded to the Employer Services Monthly Returns project from April onwards. Over the last quarter there was approx. 1 days processing lost due to an upgrade of the Heywood Altair system.
- 5.6 Admin Case Workload *Annex 5 & 6*: The level of work outstanding from tasks set up in the 3 month period is reported in *Appendix 2; Annex 5 & 6* by showing what percentage of the work is outstanding. As a snapshot, at 31<sup>st</sup> March 2018 there were 7,671 cases outstanding (a decrease of 104 cases from previous report) of which 48.59% represents actual workable cases, ie 3,727 cases, and 51.41% represents cases that are part complete, pending a third party response.

## **6 EMPLOYER PERFORMANCE**

- 6.1 *Appendix 3* highlights employer performance for the 3 months to 31<sup>st</sup> March 2018.
- 6.2 The leaver form checking process continues, immediately flagging employer data submission errors and omissions. It also addresses any issues at point of receipt enabling a prompt communication back with employers where necessary.
- 6.3 During the period from 1 January to 31 March a total of 1,700 leaver forms were received with an average accuracy rate of 75%. The increase from the last quarter is due to employers preparing for the year end process.
- 6.4 Excluding notification of member retirements and death in service, a new process is now followed when leaver forms for employers utilising the IConnect extract is received. An acknowledgement letter is issued to the member confirming entitlement to a benefit. (These cases are initially set to 'undecided' status on the system pending the member's decision ) An option form is issued asking members to confirm if they have re-joined the LGPS with another employer or left completely and require details of their deferred benefits or refund of contributions. The aim is stop duplication of work ie deferring a record and then linking it to a new starter for members who re-join. This process is in response to the increased movement of employees between employers eg Academies.
- 6.5 All employers transferring monthly data only have to supply leaver forms for member retirements or death in service. Most of the data needed to defer, refund or link entitlement is already sent monthly and final pay calculations will be requested via a spreadsheet. This process has started from August for South Gloucester Council and UWE. Bristol City Council started the new process from January. B&NES are now live with IConnect but will start the process from April. Once all the Unitary Authorities and UWE are using IConnect there should be an overall reduction in leaver forms of at least a third. A further reduction is expected as the IConnect project is rolled out across all employers.

6.6 The project to roll out IConnect across the APF portfolio commenced at the end of March 2018. As at 21 May a total of 120 employers are now live and submitting returns monthly. A more detailed progress report will be included at the next Pensions Committee meeting in September.

6.7 A review of the reporting of leavers will be necessary as the IConnect project is rolled out. All leavers are reported on the employer extract returns and will be in target as long as the extract is received on time. However it will be necessary to identify any late leavers reported and to distinguish between true leavers and leavers from post (post changes), as well as recording how many paper leavers are received for retirements & death cases. The figures on appendix 3 currently include post changes for Bristol, South Glos & UWE

## 7 TPR DATA IMPROVEMENT PLAN

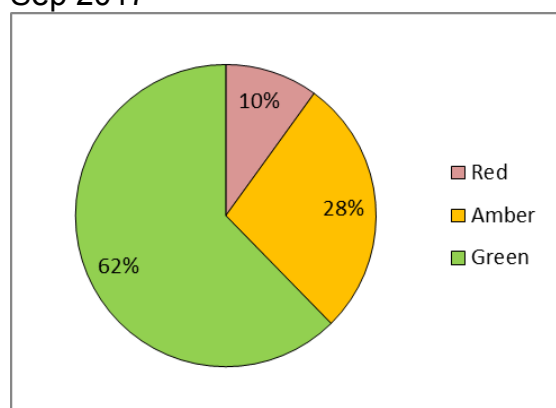
7.1 Following recommendations from the Pension Board at its November meeting, a 'Data Score' has now been added to the TPR reporting as shown in Appendix 4. This has been calculated in accordance with the Pension Regulator's guidance. The Fund's overall data score as at 31 March 2018 is calculated as 94.48%.

7.2 A summary of the RAG rating by employer is shown below. The RAG rating has been adjusted so that outstanding queries over 10% = Red, between 0.1% & 10% = Amber and 0% = Green.

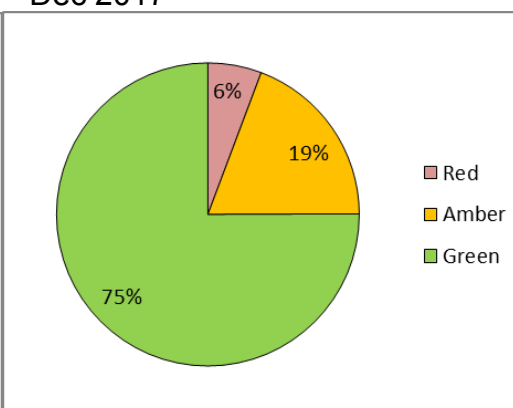
| No. of employers<br>Sept 2017 | No of employers<br>Dec 2017 | No of employers<br>Mar 2018 | Queries    | RAG rating |
|-------------------------------|-----------------------------|-----------------------------|------------|------------|
| 34                            | 20                          | 14                          | 10% >      | Red        |
| 94                            | 67                          | 43                          | 0.1 to 10% | Amber      |
| 212                           | 262                         | 310                         | 0%         | Green      |

Equivalent % rating of whole Fund

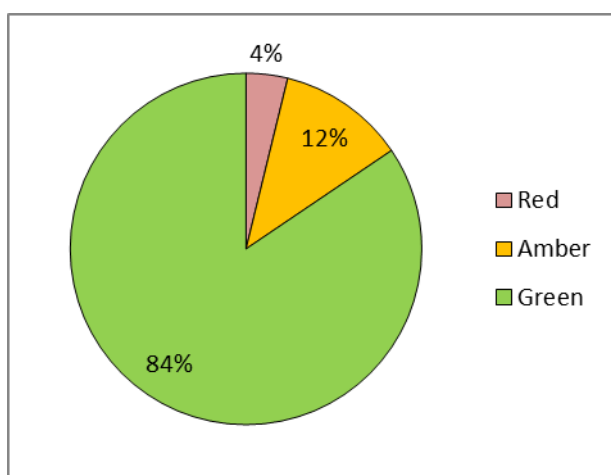
Sep 2017



Dec 2017



Mar 2018



Data for the Unitary Authorities is listed below.

| Unitary authorities   | Queries<br>Sept<br>2017 | Queries<br>Dec<br>2017 | Queries<br>Mar<br>2018 | Member<br>ship | RAG   |       |
|-----------------------|-------------------------|------------------------|------------------------|----------------|-------|-------|
| BANES                 | 283                     | 87                     | 38                     | 3113           | 1.22% | Amber |
| Bristol City          | 165                     | 82                     | 64                     | 88901          | 0.72% | Amber |
| North Somerset        | 45                      | 6                      | 0                      | 2400           | 0.00% | Green |
| South Gloucestershire | 63                      | 61                     | 54                     | 5852           | 0.92% | Amber |

7.3 Pension Committee had previously agreed the Fund's proposal to use a tracing agency to locate both missing and 'gone away' member addresses. An initial scan of approximately 5,300 records has been undertaken to carry out mortality screening checks or confirm if living as stated. Results are currently being processed ahead of the next stage to establish member/address match. A more detailed progress report will be included at the next me

## 8 LATE PAYERS

8.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator.

8.2 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.

8.3 *Appendix 5* reports late payers in the period to 31st March 2018. There were a small number of late payments in the reporting period, none of which were of material significance and therefore recorded internally but not reported to TPR. The Fund has taken mitigating action in each case to ensure employers are aware of their responsibilities going forward.

## 9 CUSTOMER FEEDBACK

9.1 *Appendix 6* highlights the 45 responses to the online survey for retirees. In summary, 76% of respondents indicated that they were very satisfied (67%) or fairly satisfied (9%) with service they received from the Avon Pension Fund.

9.2 Appendix 6 also highlights employer feedback from 4 Year End training sessions held in the period. 97% of respondents said that they had a better understanding of the YE process following the training.

9.3 There were 87 results from the online survey, rating each page on the website (a 1 to 5 star rating) during the period. 96% of respondents gave the website a 4 or 5 star rating (86% giving it 5 stars).

9.4 More work will take place over the next few months to gather more online and face-to-face feedback – this will be reported to the Committee and Pension Board.

## **10 YEAR END**

10.1 The Year end 2018 process has commenced with membership spreadsheets being issued to all employers in January for initial reconciliation.

10.2 A number of training sessions have taken place including sessions for new employers and an event for previously fined employers.

10.3 Final year end spreadsheets were issued by 31 March with a deadline for returns of 30 April. An update will be provided at the next meeting including employers who have failed to meet the required deadline for data provision.

## **11 IDPR**

11.1 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 at Appendix 7 shows the cases going through at the present time.

## **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 May 2018.
- 12.5 As notified in the previous report, the risk from the transfer of skills/knowledge from the Fund to the Brunel Pensions Partnership (risk #28) remains high. Actions to mitigate this are being put in place by officers.
- 12.6 A new risk will be added to the Risk Register specifically addressing the risk that the Fund does not comply with the LGPS Transparency Code. Under the Code most of the disclosures are required to be included in the Annual Report with effect from 31 March 2019. The information will provide Committee and members with greater information about the performance of assets and managers *net* of all costs when making strategic decisions and monitoring service providers. Currently performance is net of all costs; however only explicit costs such as management fees are disclosed.
- 12.7 The Scheme Advisory Board (SAB) for the LGPS has issued a reporting template which a large number of managers of quoted assets have signed up to. However, the FCA is drafting an industry wide template (which will be very similar to the LGPS template) and once this is issued the SAB will adopt this template. Managers then have 12 months from the template being issued to comply. Brunel is committed to only appointing managers that have signed up to the Code.
- 12.8 The risk for the fund is that we are unable to disclose all the costs for 2018/19. This exercise should not be underestimated as there is a large amount of data to be collected and reported in line with the Code and CIPFA guidelines on reporting costs once assets have been pooled. The reporting for private assets and alternatives may be more onerous to collate and the Fund is reliant on the ability of managers to provide this data in time for the 18/19 accounts.
- 12.9 The Fund has resources in place to manage this and will also have support from Brunel. The Brunel Client Group and Brunel are working together to ensure funds in the pool understand the requirements and disclose in a consistent manner.
- 12.10 Therefore the risk is low; the main risk is reputational if the Fund is cited as non-compliant with the Code.
- 12.11 The top 10 risks, including their likelihood, 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(S)**

- 16.1 There are no 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 (Strategic Director of Resources) have had the opportunity to input to this report and have cleared it for publication.

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| <b>Contact person</b>  | <i>Geoff Cleak, Pensions Manager; Tel 01225 395277</i> |
| <b>Background papers</b>   | <i>Various statistical documents.</i>                  |
| <b>Please contact the report author if you need to access this report in an alternative format</b> |  |