

| Bath & North East Somerset Council | |
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| MEETING: | AVON PENSION FUND COMMITTEE |
| MEETING DATE: | 7th DECEMBER 2018 |
| TITLE: | PENSION FUND ADMINISTRATION (1) SUMMARY PERFORMANCE REPORT TO 30th September 2018 (2) PERFORMANCE INDICATORS TO 30th September 2018 (3) TPR COMPLIANCE |
| WARD: | ALL |
| AN OPEN PUBLIC ITEM | |
| <p>List of attachments to this report:</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 30th September 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 30th September 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 30th June 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 APF performance against SLA targets, in tabular and graph format, are shown in *Appendix 2; Annex 1 to 4*. *Appendix 2a* provides further context around the measurement of APF performance against the SLA.
- 5.4 *Appendix 2b* sets out APF performance against legal statutory deadlines and *Appendix 2c* provides legal context. In all cases the legal deadlines are less stringent than the SLA targets.
- 5.5 Performance against SLA targets are reported remain below the benchmark in most areas of administration work, this is due to the continuing requirement for training of new members of staff and existing members of staff who are acting up into more senior roles.
- 5.6 The project to clear the backlog of aggregation cases began on the 1st July with 3,869 cases identified as project work. The project has proved to be very successful to date with 1,733 cases being cleared as at 30th September leaving a further 2,136 cases outstanding meaning the team have cleared approximately 45% of the cases in 3 months. The project is on track for completion within the designated 8 month period. The Trivial Commutation project, to extinguish the number of small pensions we are currently paying by making a one-off payment to a member, is underway and we have recently received a feasibility study from the scheme actuary and are in the process of reviewing this to determine the best way forward with the project.

5.7 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 30th September there were 7,802 cases outstanding (a decrease of 732 cases from previous report) of which 46.91% represents actual workable cases, ie 3,660 cases, and 53.09% represents cases that are part complete, pending a third party response. The decrease in outstanding cases is mainly due to the volume of cases being cleared by the aggregation project.

6 RESOURCE UPDATE

6.1 **Member Services** - Two apprentices joined the team in September. The apprentices will be involved with a variety of activities within the section in addition to undertaking their studies. Training to develop officers who are newer to their roles continues to put a strain on existing resource.

6.2 **Employer Services** – Two apprentices joined the team in September. They will be involved in a variety of employer services work in addition to undertaking their studies. Recruitment into posts previously agreed to cover both staff churn and temporary projects has resulted in the addition of a further 5 new staff members.

6.3 Overall the amount of training and mentoring required across new staff and apprentices has resulted in a general downturn on performance. It is expected that this will continue in the short term until the new staff bed in.

6.4 TPR data improvement plan *Appendix 3* highlights employer performance for the 3 months to 30th September 2018. The report is now updated to show performance for retirements only as leaver forms are not required for other types of leaver (eg refunds and deferred benefits) once employers are using monthly online returns.

6.5 During the period from 1st July to 30th September a total of 1,486 leaver forms were received with an average accuracy rate of 83%.

6.6 Once all the Unitary Authorities and larger employers are submitting monthly online returns there should be an overall reduction in leaver forms of at least a third.

6.7 The project to roll out monthly online returns (IConnect) across the APF portfolio commenced at the end of March 2018. As at the end of September app 148 employers are now live and submitting returns monthly, covering 75% of the active membership. Phase 1 (employers with less than 50 members) is now complete and Phase 2 (employers more than 50 members) of the project is now under way. In the pipeline there is active engagement with 13 organisations who are working towards a live submission by the end of December. This will cover a further 159 employers.

6.8 A review of the reporting of data from the online returns is currently under way.

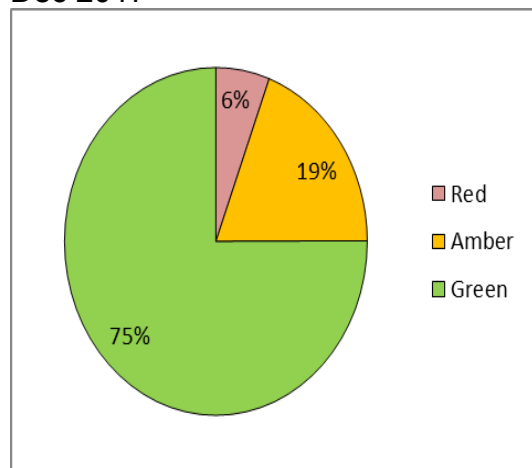
7 TPR DATA IMPROVEMENT PLAN

- 7.1 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 30 September 2018 is calculated as 94.45%.
- 7.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category.
- 7.3 Since the commencement of the address tracing project 846 deferred member addresses have been confirmed found, but over the same period 478 new missing addresses have been flagged as missing for deferred members. This is mainly as a result of returned annual benefit statements.
- 7.4 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.

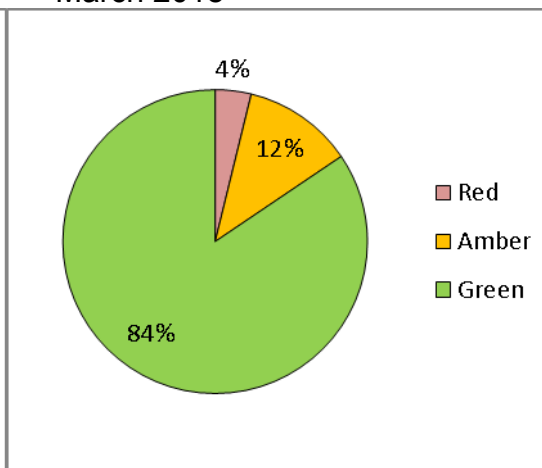
| No of employers Dec 2017 | No of employers Mar 2018 | No of employers June 2018 | No of employers Sept 2018 | Queries | RAG rating |
|-----------------------------|-----------------------------|------------------------------|------------------------------|------------|---------------|
| 20 | 14 | 19 | 58 | 10% > | Red |
| 67 | 43 | 57 | 89 | 0.1 to 10% | Amber |
| 262 | 310 | 316 | 257 | 0% | Green |

Equivalent % rating of whole Fund

Dec 2017

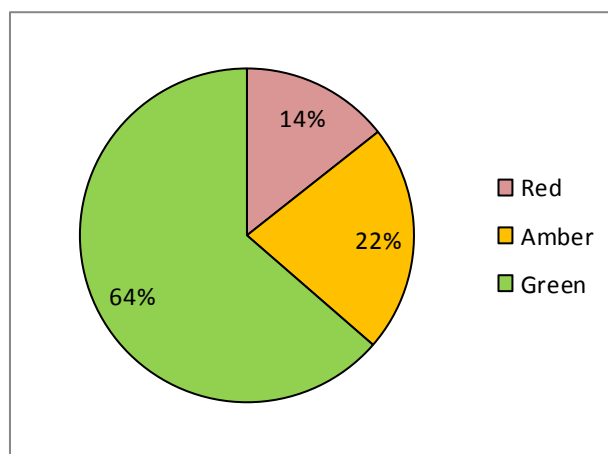
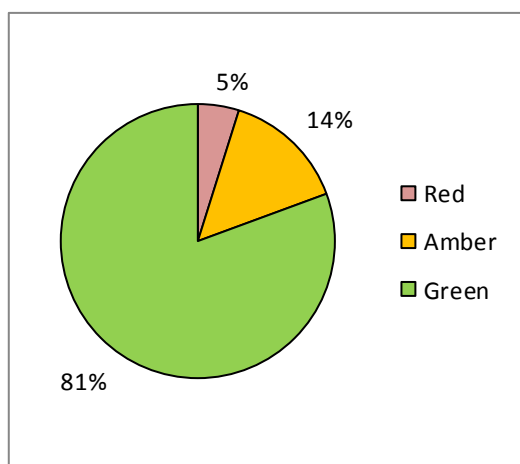


March 2018



June 2018

September 2018



Data for the Unitary Authorities is listed below.

| Unitary authorities | Queries Dec 17 | Queries Mar 18 | Queries Jun 18 | Queries Sept 18 | Member ship | RAG | |
|-----------------------|----------------|----------------|----------------|-----------------|-------------|-------|-------|
| BANES | 87 | 38 | 187 | 194 | 3324 | 5.84% | Amber |
| Bristol City | 82 | 64 | 199 | 159 | 8966 | 1.77% | Amber |
| North Somerset | 6 | 0 | 240 | 76 | 2335 | 3.25% | Amber |
| South Gloucestershire | 61 | 54 | 81 | 62 | 6215 | 1.00% | Amber |

7.4 The Pension Committee had previously agreed the Fund's proposal to use a tracing agency to locate both missing and 'gone away' member addresses.

7.5 Results to date are shown in the tables below.

5,236 cases were originally sent to the Tracing Company

| Tracing Stage | Number of Cases | % |
|------------------------------|-----------------|-------|
| Stage 1: Mortality Screening | 606 found | 11.5% |
| Stage 2: Auto Trace | 1,166 found | 22.0% |
| Stage 3: Manual Basic Search | 1,706 found | 32.5% |
| Total cases found | 3,478 | 66.0% |
| Total cases not found | 1,758 | 34.0% |

Of the 3,478 cases found trace letters were issued to members on 11 June and 23 July.
As at 30 September 2018

| | | |
|---------------------------------------|-------|-------|
| New addresses updated | 854 | 25.0% |
| Letters returned - not at new address | 43 | 1.0% |
| Member confirmed as deceased | 122 | 3.5% |
| Letter issued awaiting response | 1,427 | 41.0% |
| Letter still to be issued | 1,032 | 29.5% |

Unfortunately no further letters have been issued due to lack of resource. A temporary resource has now been recruited to work on the project and will start on 1 November.

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 30th September 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 52 responses to the online survey for retirees. In summary, 79% of respondents indicated that they were very satisfied (71%) or fairly satisfied (8%) with service they received from the Avon Pension Fund.
- 9.2 There were 52 results from the online survey, rating each page on the website (a 1 to 5 star rating) during the period. 89.5% of respondents gave the website a 4 or 5 star rating (86% giving it 5 stars).

10 YEAR END

- 10.1 The 2017/18 year-end exercise has now been completed.
- 10.2 A total of 22 employers have incurred penalty charges. Seven charges are for late returns and the remainder in respect of queries in excess of 10% of membership. Any employer who is not a repeat offender will be offered the opportunity to attend training in lieu of the fine.
- 10.3 The primary repeat offender was EACT Multi Academy Trust who will be fined for a late return for one academy and disproportionate work for outstanding queries across all their academies. Part of the charge is also for the additional work in re-issuing annual benefit statements due to incorrect year end data for one of the academies. EACT are now fully engaged and have cleared almost all outstanding queries, including historical cases.
- 10.4 North Somerset Council have also being fined for a late year end return and causing disproportionate work for queries at year end.

11 ANNUAL BENEFIT STATEMENTS

- 11.1. The Public Service Pensions Act 2013 requires Funds to produce Annual Benefit Statements by 31st August annually.
- 11.2 For the 2018 exercise the Fund contacted all employers in January, providing each with a current extract of their active membership held on the pension database. This early communication provides an opportunity for payroll data matching in advance of submission of year end returns in April.

11.3 Statements are produced in-house (and to the LGA-approved template guidelines) and sent externally for printing and postage. All statements for deferred members were issued on 25 June, with those for active members being dispatched in three tranches on 13, 20 and 27 August, ahead of the statutory deadline.

11.4 The table below details the ABS numbers sent and errors identified

| Description | Active Nos. | | Deferred Nos. |
|------------------------------------------|-------------|--|---------------|
| ABS issued | 32,735 | | 38,676 |
| Total statements due | 33,147 | | 43,061 |
| | | | |
| % Actioned | 98.76% | | 89.9% |
| % Error | 1.24% | | 10.1% |
| | | | |
| Amended & replacement issued post-31 Aug | 142 | | 155 |

11.4 Notwithstanding the time and effort undertaken by the Fund administration to cleanse all the year-end data, there remain some statements which cannot be sent due to incomplete/inconsistent data. The % errors for actives are due to a combination of missing CARE and missing addresses.

11.5 For deferred members the error % is due to 'gone away' addresses. Errors identified are flagged under the Fund's TPR improvement plan for action.

11.6 The Fund has a project in place to trace missing address details for deferred members.

11.7 The Fund carried out ABS re-runs following updated data from employers (usually following member queries around pay on their original statements). These took place on 1 and 22 October – resulting in 142 replacement active statements and 155 deferred statements (from the pensions tracing project).

11.8 As in previous years a post project review will be undertaken by officers to examine learning points and build in developments to ensure the 2019 ABS are also delivered within the statutory timeframes.

12 IDRP

12.1 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.

13 RISK REGISTER

13.1 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.

13.2 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

13.3 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

13.4 The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in October 2018.

13.5 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.

13.6 One risk (R57) which refers to compliance with the transparency code has increased from low to medium. This is due to a delay in the issuing of the FCA reporting template. The main risk is reputational if the Fund is cited as non-compliant with the Code.

13.7 The Brunel Client Group and Brunel are working together to ensure funds in the pool understand the requirements and disclose in a consistent manner.

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

14 RISK MANAGEMENT

- 14.1 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.

15 EQUALITIES

- 15.1 No items in this report give rise to the need to have an equalities impact assessment

16 CONSULTATION

- 16.1 None appropriate

17 ISSUES TO CONSIDER IN REACHING THE DECISION(S)

- 17.1 There are no issues to consider not mentioned in this report.

18 ADVICE SOUGHT

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