

## Bath & North East Somerset Council

MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>22<sup>nd</sup> MARCH 2019</b>
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>(1) SUMMARY PERFORMANCE REPORT TO 31<sup>st</sup> December 2018</b> <b>(2) PERFORMANCE INDICATORS TO 31<sup>st</sup> December 2018</b> <b>(3) TPR COMPLIANCE</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1 – Membership data Appendix 2 – Performance Measurement against SLA and Workloads Appendix 2a – SLA Measurement Schedule Appendix 2b – Performance Measurement against Statutory Legal Deadline Appendix 2c – Statutory Legal Measurement Schedule Appendix 3 – Employer Performance Appendix 4 – TPR Data Improvement Plan Appendix 5 – Late Payers Appendix 6 – Customer Feedback Appendix 7 – IDRP Current Cases Appendix 8 – Risk Register Top 10	

### **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> December 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> December 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<sup>st</sup> December 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 and show mostly improvements on the last quarter.
- 5.6 Performance against legal statutory deadlines have also improved on the last quarter and where flagging up as amber were down to factors outside of the control of the administration team for retirements from active and transfer out payment stage.
- 5.7 The project to clear the backlog of aggregation cases began on the 1<sup>st</sup> July with 3,869 cases identified as project work. The project continues to be very successful with 3,313 cases being cleared as at 31<sup>st</sup> December leaving a further 556 cases outstanding meaning the team had cleared approximately 85% of the cases. 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 to pensioners, by making a one-off commutation payment, is underway and we are currently in discussion with the

scheme actuary to determine how to proceed with this and what support they can offer.

5.8 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> December there were 5,911 cases outstanding (a significant decrease of 1891 cases from previous report) of which 36.17% represents actual workable cases, ie 2,138 cases, and 63.83% 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** – A Senior Pensions Officers from the Member Services team has moved over to the Employer Services team as an Employer Relations Officer and the vacant position has since been filled internally by a Pensions Officer who in turn has been replaced internally by an Assistant Pensions Officer. We are currently undertaking recruitment to fill the Assistant Pensions Officer post along with two temporary Pensions Officer posts that have arisen due to an extended secondment of an officer to the GMP reconciliation project and a further position that has become vacant due to a staff member leaving for a permanent position with another Fund. Training to develop officers who are newer to their roles continues.

6.2 **Employer Services** – 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. As at the end of December 2018 all posts were filled. However one senior pension officer and one part time temporary pension officer on the Data Control Team left in January. One pension officer is also due to go on maternity leave in April. Recruitment is under way to fill these positions.

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.

## 7 EMPLOYER PERFORMANCE

7.1 Employer Performance *Appendix 3* highlights employer performance for the 3 months to 31<sup>st</sup> December 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.

7.2 During the period from 1<sup>st</sup> October to 31<sup>st</sup> December a total of 1,206 leaver forms were received with an average accuracy rate of 66%.

7.3 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.

7.4 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 December app 189 employers are now live and submitting returns monthly, covering app 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. Due to the proximity of year end a decision has been made about which employers will realistically go live before year end. This has been narrowed to North Somerset, Strictly Education and Wiltshire CC. The three extracts will cover a total of 58 employers (4287 members). The aim will be for the remainder of employers to do an old style year end return and go live with IConnect between April and September 2019.

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

## 8 TPR DATA IMPROVEMENT PLAN

8.1 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 31 December 2018 is calculated as 94.63%.

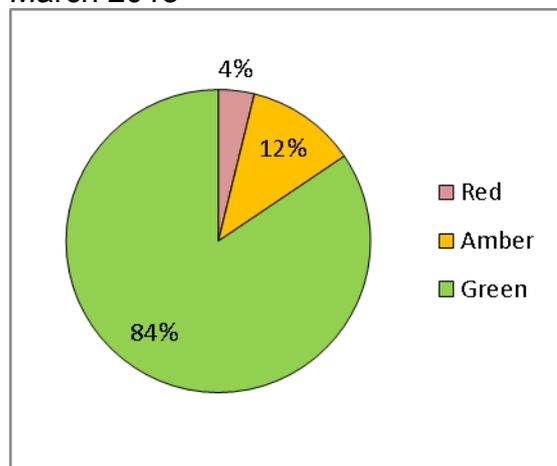
8.2 Although the overall data score has remained constant the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to put them in the red category.

8.3 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.

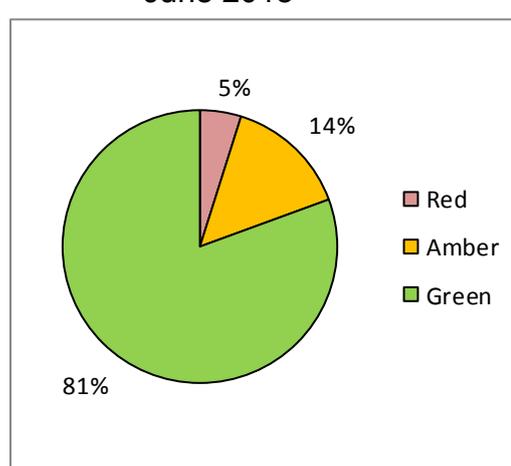
No of employers Mar 2018	No of employers June 2018	No of employers Sept 2018	No of employers Dec 2018	Queries	RAG rating
14	19	58	43	10% >	Red
43	57	89	72	0.1 to 10%	Amber
310	316	257	321	0%	Green

Equivalent % rating of whole Fund

March 2018

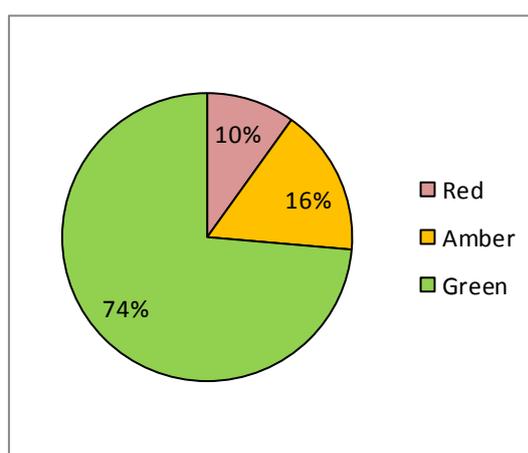
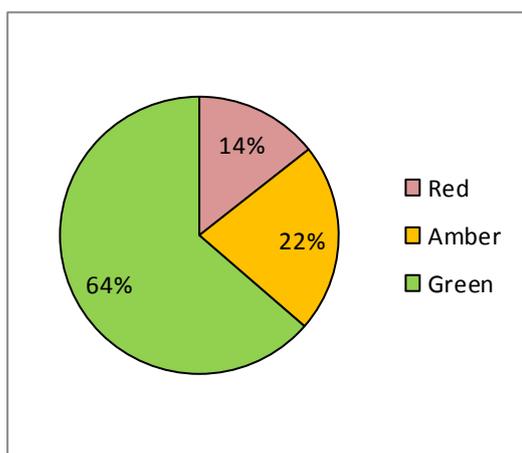


June 2018



September 2018

December 2018



Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Mar 18	Queries Jun 18	Queries Sept 18	Queries Dec 18	Member ship	RAG	
BANES	38	187	194	136	3235	4.2%	Amber
Bristol City	64	199	159	198	8970	2.21%	Amber
North Somerset	0	240	76	49	2214	2.21%	Amber
South Gloucestershire	54	81	62	71	6375	1.11%	Amber

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

8.5 Results to date are shown in the tables below.

**5,236** cases sent to Tracing Company

Tracing stage	Number of cases	%
Stage 1: Mortality screening	606	11.5
Stage 2: Autotrace	1,166	22.0
Stage 3: Manual Basic search	1,706	32.5
Total cases found	3,478	66.0
Total cases not found (Consider next stage)	1,758	34.0

8.6 Of the 3,478 cases found the first batch of trace letters were issued in June & July 2018. The second batch in December of 2018 and January 2019.

	30 Sept 18		31 Dec 18	
	Number of cases	%	Number of cases	%
New addresses updated	854	25.0	1,248	36.0
Letters returned - not at address or gone away	43	1.0	69	2.0
Member confirmed as deceased	122	3.5	160	4.5
Letters issued awaiting response	1,427	41.0	2,001	57.5
Letters still to be issued	1,032	29.5	0	0

8.7 All letters have now been issued. The next stages are to consider a follow up plan where no response has been received to our trace letter and decide which cases are taken forward to the manual forensic tracing level.

## 9 LATE PAYERS

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

9.2 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.

9.3 *Appendix 5* reports late payers in the period to 31<sup>st</sup> December 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.

## 10 CUSTOMER FEEDBACK

10.1 *Appendix 6* highlights the 53 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.

10.2 There were 48 results from the online survey, rating each page on the website (a 1 to 5 star rating) during the period. 87% of respondents gave the website a 4 or 5 star rating (85% giving it 5 stars).

10.3 Two employer forums were held on 23 January and 5 February. The 23 January session was aimed at academies, educational establishments, universities and colleges. There were 54 attendees to this event. The 5 February session was aimed at town and parish councils, unitary authorities. There were 26 attendees at this event. For both events the feedback was extremely positive. Annex 3 in the Appendix highlights the feedback data

## 11 YEAR END

11.1 The 2017/18 year-end exercise has now been completed.

11.2 A total of 22 employers have incurred penalty charges. Training for the fined employers took place on 18<sup>th</sup> January. All employers attended apart from one multi academy trust, who received fines for three of their schools. They are now engaging with us to resolve the outstanding data issues.

11.3 Year end 2018/19 is now under way. Employers have been split between those needing to provide an old style year end return and those on IConnect who will need to ensure their March extract is submitted by the end of April, to meet the deadline. All employers will also be asked to sign a year end declaration confirming the accuracy and quality of their data for the year.

## **12 IDR**

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 IDR. 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 February 2019.

13.5 As previously noted, the risk from the transfer of skills/knowledge from the Fund to the Brunel Pensions Partnership remains high (Risk #28) and has now been further compounded following multiple staff changes to service management across the administration team. Actions to mitigate this are being put in place by officers

13.6 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.

<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>	