

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	26 JUNE 2020
TITLE:	PENSION FUND ADMINISTRATION (1) Overview & Summary Performance Report TO 31st May 2020 (2) Update on Legislation (3) Update to Risk Register
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Update on Legislation Appendix 2a – Risk Register Appendix 2b – Risk Dashboard	

1 THE ISSUE

- 1.1 The purpose of this report is to inform the Committee of the performance for Fund Administration for the period up to 31st May 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.
- 1.2 To update the latest position concerning the Local Government Pension Scheme [LGPS] and any proposed regulatory matters that could affect scheme administration is included in Appendix 1.
- 1.3 To update the current position of the Avon Pension Fund Risk Register and its top risks

2 RECOMMENDATION

The Committee is asked to Note:-

- 2.1 Fund and Employer performance for the period to 31st May 2020.
- 2.2 The current position regarding the developments that could affect the administration of the Fund.
- 2.3 The updated Risk Register and actions taken

3 COVID-19 AND FUND BUSINESS CONTINUITY

- 3.1 With the UK lockdown in place from 23rd March, the initial response from the Fund was focussed on communications, ensuring all staff officers had capability to undertake business operations remotely from home.
- 3.2 Secure communications were established for scheme members including the implementation of digital online tracing and member identification checking capability, mitigating the requirement for certificates to be sent by post.

3.3 Direct personal engagement with all key employers has been established and is ongoing to review and monitor ongoing business as usual capability. All other employers have been surveyed to establish BAU capabilities with no significant issues being reported at the outset.

4 GOVERNANCE

4.1 Advice and guidance for scheme administrators has been received from numerous sources since the COVID-19 outbreak, including operational guidance from the Scheme Advisory Board and the Pensions Regulator in relation to the prioritisation of critical administration work to support scheme members and dependents by focussing on the continued payment of pensioner and dependent members and the processing of retirements and death cases.

4.2 Recommended communications for members highlighting transfer risk from DB to DC schemes and the suspected increase in pension scams and fraud during the outbreak have been noted and issued.

5 EMPLOYER PERFORMANCE – YEAR END

5.1 Officers are currently engaging with employers to undertake the 2019/2020 financial year end and data reconciliation process.

5.2 Across the Funds employer portfolio; 269 employers are providing data on an automated monthly basis through i-Connect with the remaining 163 employers supplying a manual annual data return.

5.3 All required i-Connect returns up to 31st March have been received. There are 10 manual returns outstanding and work is ongoing to obtain this information.

5.4 Officers are now working to reconcile data returns and liaise with employers further where an error has been identified. The aim is to complete the work ahead of the statutory deadline to provide member Annual Benefit Statements and Pension Saving Statements.

5.5 The Pensions Regulator has advised that it expects all schemes to follow statutory legal requirements, however, they will be more flexible and relaxed in their approach if Funds experience delays in meeting these as a result of COVID-19 providing there is a plan in place to resolve issues. A further update will be provided at the next Committee meeting in September.

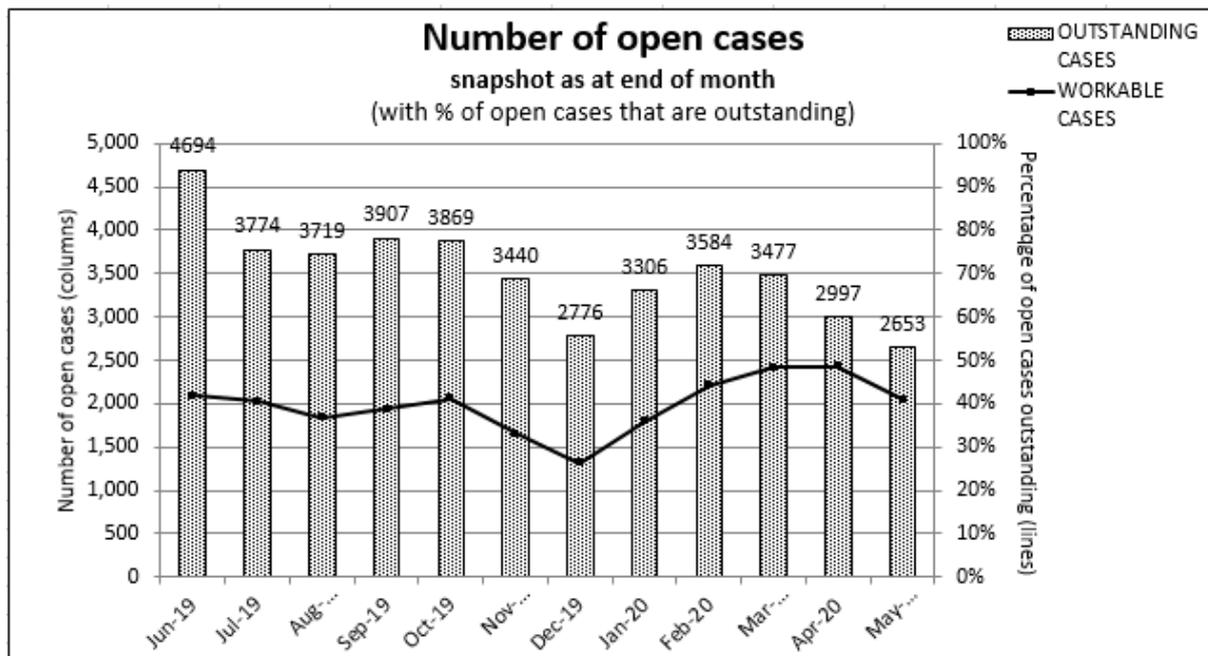
6 APF PERFORMANCE

6.1 As per TPR guidance the Fund has focussed on critical member processes including the processing of retirement and death benefits.

6.2 The table below reflects the performance against these processes

SLA Target		1 Jan-20 to 22 Mar-20			23 Mar-20 - 31 May-20		
		Total Processed	Total in Target	% in Target	Total Processed	Total in Target	% in Target
Retirement (from active)	Quote – 15 days	167	122	73.05%	174	163	93.68%
	Pay – 15 days	161	153	95.03%	122	119	97.54%
Retirement (from deferred)	Quote – 30 days	83	38	45.78%	60	36	60.00%
	Pay – 15 days	220	209	95.00%	234	230	98.29%
Deaths	Notify - 5 days	112	111	99.11%	81	79	97.53%
	Pay - 10 days	95	94	98.95%	83	77	92.77%

6.3 Administration work has continued in all other areas and KPI performance is monitored and reported to the Pensions Manager for review on a bi-weekly basis. The table below reflects the situation at the end of May with an overall 2,563 cases outstanding of which 1,025 (40%) are workable. This represents an overall improvement in outstanding workable cases over the previous twelve months and this trend has continued since COVID-19 outbreak reflecting a downturn in new work cases coming through. However, any additional workload created by the year end reconciliation process is still to be recognised in the data and a likely upturn is expected over the next quarter.



6.4

7 REGULATORY AND LEGISLATIVE MATTERS

7.1 Limited work has been undertaken due to the COVID-19 outbreak. A summary of the key issues has been outlined at **Appendix 1**.

8 RISK REGISTER

8.1 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.

8.2 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

8.3 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

The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in May 2020.

8.4 The management of the risk register has been updated with the introduction of a more robust process for identifying and managing risks. The new look register including likelihood, impact and mitigating actions and overview dashboard are attached at **Appendix 2a and 2b**.

8.5 All risks have been reviewed and updated to reflect the high impact of the Covid 19 outbreak across many aspects of the Fund. A new risk has been added focusing on the sustainability of remote working so that the Fund is able to continue to deliver the service to members and employers.

8.6 Following the quarterly review several risks have increased including:

- a) Failure to earn investment returns has become more likely in the short term but markets have already started to stabilise.
- b) Deterioration in employers' financial stability and late or non-payment of contributions are particular risks at this time. Contribution returns and employer covenant are being monitored more closely.

- c) The risk of not delivering an efficient service to members and employers has increased. Work is being prioritised to ensure retirements and deaths are processed and pensioner payments continue to be made.
- d) In March 2020 the government confirmed that there will be changes to all public sector schemes to remove any age discrimination as a result of McCloud. MHCLG confirm that they expect to consult on regulatory changes to address McCloud, for the LGPS only, in Summer 2020.

9 RISK MANAGEMENT

9.1 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.

10 CLIMATE CHANGE

10.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is in the process of addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

11 OTHER OPTIONS CONSIDERED

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

12 CONSULTATION

12.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

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	