

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	11 December 2020
TITLE:	PENSION FUND ADMINISTRATION (1) Overview & Summary Performance Report (2) Update to Risk Register
WARD:	ALL

AN OPEN PUBLIC ITEM

List of attachments to this report:

- Appendix 1 – Membership data
- Appendix 2 – Performance against SLA & Workload
- Appendix 2a – Performance against Statutory Legal Deadlines
- Appendix 3 – Employer Performance
- Appendix 4 – TPR Data Improvement Plan
- Appendix 5 – Late Payers
- Appendix 6 – Risk Register
- Appendix 6a – Risk Dashboard
- Appendix 7 – IDRPs Current Cases

1 THE ISSUE

- 1.1 The purpose of this report is to inform the Pensions Committee of the performance for Fund Administration for the period up to 30th September 2020 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.
- 1.2 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 three months to 30th September 2020.
- 2.2 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 have been 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 engagement with all key employers remains in place to review and monitor business as usual capability. All other employers have been surveyed to establish BAU capabilities with no significant issues being reported to date.

4 GOVERNANCE

- 4.1 Advice and guidance for scheme administrators has been received from the Pensions Regulator as the COVID-19 pandemic continues to evolve. Whilst the prioritisation of critical administration remains; focussing on the continued payment of pensioner and dependent members and the processing of retirements and death cases, pension funds have been reminded of their responsibility to maintain other administrative processes.

5 MEMBERSHIP TRENDS

- 5.1 **Appendix 1** provides a detailed breakdown of employer/member ratio; split between whole time and multiple employment membership as well as a snapshot of individual employer and member make up. The number of new smaller employers to the Fund can be attributed mainly to the continued fragmentation of the employer base (newly created Academies/MAT's and Transferee Admitted Bodies) and this has a direct impact on the administration workload with increased movement between employers, especially within the education sector. A further 12 Academy conversions are in the pipeline as at 3rd November 2020.

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. **Appendix 2 (Annex 1 & 2)** and **Appendix 2a** provide details of APF performance up to the end of the last quarter for all KPI's measured against both SLA and statutory legal deadlines.
- 6.2 KPI's are monitored and reported to the Pensions Manager for review on a bi-weekly basis. **Appendix 2 (Annex 5)** reflects the situation at the end of September with an overall 3,266 cases outstanding of which 1,945 (59%) are workable. This represents an overall increase in outstanding workable cases over the previous period and this in part can be attributed to an increase in additional workload created by the year end reconciliation process.

7 MEMBER COMMUNICATIONS

- 7.1 Pension Savings Statements
- 7.2 Detailed work undertaken by Quality Assurance team to complete the process to assess member savings has been completed. The Fund issued 68 Pensions Savings Statements for LGPS members.
- 7.3 The Fund is required to issue a statement if pensions savings in the APF exceed the standard annual allowance. The annual allowance is the maximum amount of pension saving that an individual can make each tax year that benefits from tax relief. The standard annual allowance is £40,000 for the 2019/2020 tax year and the statement includes information that members must consider in determining whether a tax charge is payable.

7.4 Members are legally required to receive notification by 6th October however due to the impact of COVID-19 there was a short delay this year with statements being issued during w/c 19th October. The TPR have been informed of the delay and have advised the Fund that no further action will be taken.

8 EMPLOYER PERFORMANCE

8.1 **Appendix 3** highlights employer SLA performance for notification of member retirements for the previous year and separately by case number over the three months to 30th September 2020.

8.2 Further reports are currently in development to analyse employer monthly data returns and these will be introduced in due course.

9 TPR DATA IMPROVEMENT PLAN

9.1 APF have measured an overall data score of 94.54% for the quarter ending September 2020.

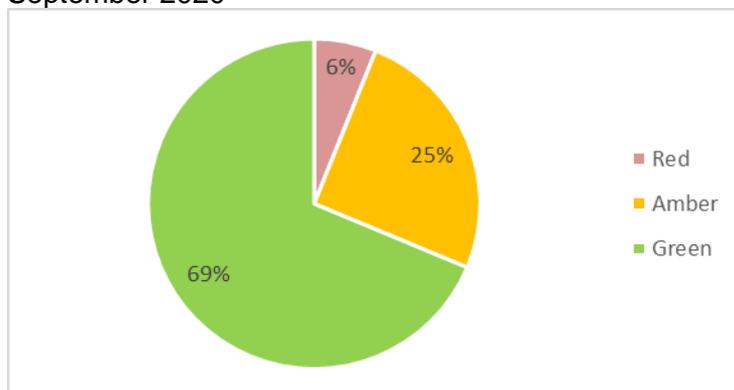
9.2 Although the overall data score has remained constant, the split of queries for active members is now across an increased number of smaller employers who may only need one or two data queries to move them in to the amber or red category. These employers continue to be targeted for improvement.

9.3 A summary of the RAG rating by employer is shown below. The RAG rating reflects employers with % outstanding data queries against profiled scheme membership: (over 10% = Red, between 0.1% & 10% = Amber and 0% = Green).

9.4

No of Employers June 2020	No of Employers Sept 2020	Queries	RAG rating
24	25	10% >	Red
99	109	0.1 to 10%	Amber
306	308	0%	Green

September 2020



9.5 Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Dec 19	Queries Mar 20	Queries Jun 20	Queries Sept 20	Member ship	RAG	
BANES	50	48	41	74	2710	2.73%	Amber
Bristol City	259	271	224	196	9007	2.17%	Amber
North Somerset	14	8	10	17	1897	0.87%	Amber
South Gloucestershire	92	142	134	166	5859	2.83%	Amber

10 RESOURCE UPDATE

10.1 A staff recruitment project is currently in progress to appoint 11.2 FTE vacant posts across member and employer services teams.

10.2 The project began in September and recruitment will be staged over 3 phases continuing into 2021. Interviews for phase one are currently being held and phase two is expected to commence before the end of December. A temporary training role has been created internally to manage training for all newly recruited officers whilst staff continue to work remotely from home.

11 LATE PAYERS

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

11.2 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.

11.3 **Appendix 5** reports late payers in the period to 30th September 2020. 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.

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

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

12.4 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 6 and 6a**.

12.5 Following a recent risk management audit a further review will be carried out of the process and the risk register to make the correlation between the risks identified in the Investment, Funding and Administration Strategies and the risk register clearer.

12.6 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 was added in May 2020 focusing on the sustainability of remote working so that the Fund is able to continue to deliver the service to members and employers.

12.7 Following the quarterly review all risks remained unchanged in terms of risk score apart from:

- a) Introduction of £95k cap - legislation implementing the £95k cap on exit payments came into force on 4 November. This is ahead of the changes required to the LGPS regulations which are currently in the process of being consulted upon and are expected in early 2021. This leaves the Fund in an uncertain position legally and legal advice has been sought on how to proceed with cases in the interim period. There is also further reform expected with the LGPS regulation amendments.

12.8 Other updates for this quarter which did not affect the overall risk score were:

- a) The McCloud consultation has now closed and a response is expected to be issued by MHCLG in early 2021 outlining the final remedy. Changes to primary legislation not expected until April 2022. Work is underway to develop a comprehensive project programme with multiple workstreams contained within it. Initial analysis has been carried out to identify the number of members that are impacted by the consultation proposals, the action required to implement the remedy and which employer they fall under. The current priority is to collect missing data from employers in respect of working hours and details of service breaks, since 1 April 2014, for all members in scope of protection.
- b) Deterioration in financial stability of employers - the covenant work plan has been agreed & is being implemented. The Fund is experiencing an increase in contribution queries from outsourcing employers about pension costs on their contracts. The Fund is considering the changes to the USS debt arrangements

with employers which would mean LGPS ranks lower in event of insolvency, which will affect covenant of HE's. Policy being developed for Deferred Debt Arrangements (regulations passed but implementation guidance is not due until early 2021).

- c) The sustainability of remote working continues to be monitored. TPR/SAB guidance continues to be reviewed as received & procedures reviewed as necessary. A review of staff identified as needing to return to the office was done but due to latest Government guidance all staff will continue to work from home for time being. Roll out of new IT equipment to all staff expected app April 202
- d) The First phase of three phases of recruitment for Administration posts started in September 2020. A Trainer has been appointed to train the new recruits. A new member of the Investments Team has been appointed and will start in January 2020.
- e) Paper on Brexit risks taken to Nov 20 Investment Panel. Risks point to sharp GBP sell-off if by end of year no deal materialises which would lead to FX hedge detracting from returns. Cashflow monitoring being developed to ensure sufficient ongoing cash collateral to support hedging strategies. Kept under review through routine monitoring and specialist advice. Inflation linked assets/Gilts/Corporate Bonds held as part of Risk Management (RM) framework. Any short-term impact on yields and/or inflation not expected to have material impact as RM framework is long-term strategy with long duration assets and corporate bonds held to maturity for cash flow matching purposes. The Fund has zero allocation to UK equities. UK property transition to Brunel is due in 1Q2021 - UK property portfolio positioned defensively i.e. underweight retail and office space; overweight industrials.

13 IDR P

- 13.1 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 P. The table at Appendix 7 shows the cases going through at the present time.

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 STATEMENT

- 15.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified

16 CLIMATE CHANGE

- 16.1 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 addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

17 OTHER OPTIONS CONSIDERED

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

18 CONSULTATION

18.1 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	