

Bath & North East Somerset Council

MEETING: AVON PENSION FUND COMMITTEE

MEETING DATE: 28 June 2021

TITLE: PENSION FUND ADMINISTRATION
Overview & Summary Performance Report

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
- Appendix 8 – Tracing Project Overview

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 31st March 2021 and actions undertaken following the Coronavirus outbreak and UK lockdown on 23rd March 2020.

2 RECOMMENDATION

The Committee is asked to Note:-

- 2.1 Fund and Employer performance for the three months to 31st March 2021.

3 COVID-19 AND FUND BUSINESS CONTINUITY

- 3.1 With the UK lockdown in place from 23rd March 2020, 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 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 from the Pensions Regulator remains in place whilst the COVID-19 pandemic continues to evolve. Whilst the prioritisation of critical administration activity remains focussed on the payment of pensioner and dependent members and the processing of retirement and death cases, funds have been also been reminded of their responsibility to maintain other non-critical administrative processes.

5 MEMBERSHIP TRENDS

- 5.1 **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 number of new smaller employers to the Fund can be attributed 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, particularly within the education sector.

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 performance is monitored and reported regularly to the Pensions Manager for review. **Appendix 2 (Annex 3)** reflects the situation at the end of March with an overall 4,942, cases outstanding of which 3,360 (68%) are workable. This represents an overall increase in outstanding workable cases over the previous period and is partly due to an increase in workload created by the year end reconciliation process and a three month delay in the receipt of leaver information from a large fund employer which had experienced issues in submitting timely accurate monthly data extracts following a planned change in payroll provider. In addition, the downturn in performance can be associated with the ongoing recruitment and training of new staff members, including the internal movement of a number of the existing team to new roles, thus collectively placing a burden on resource to effectively manage business as usual.

7 EMPLOYER PERFORMANCE

- 7.1 **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 31st March 2021. Further reports are currently being developed to include employer performance measured against the timely receipt of i-Connect data. It is anticipated that these reports will be available for inclusion as part of the next quarterly report.

8 TPR DATA IMPROVEMENT PLAN

8.1 There has been a reduction in recorded common data errors across most membership categories (**Appendix 4**), with an improved overall data score of 95.64% for the quarter ending March 2021.

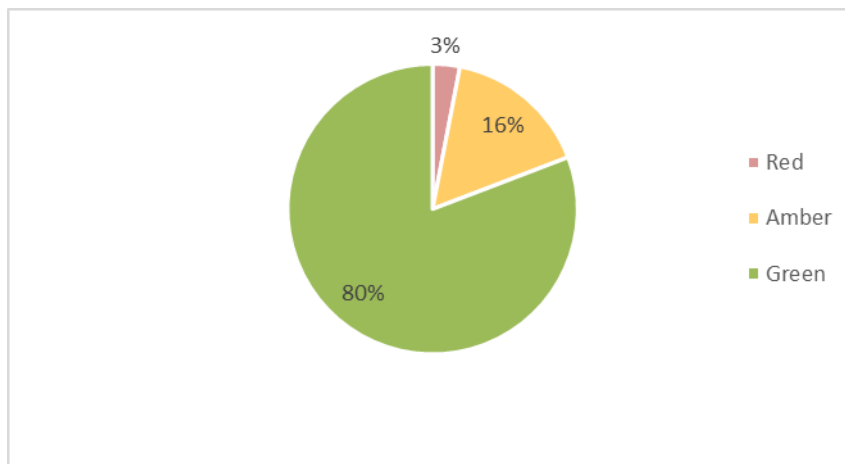
8.2 Due to work being undertaken on the Interim Valuation this year, data cleansing has been a key focus for the past quarter.

8.3 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).

8.4 The chart below shows positive improvement of employers with zero data queries, this has risen from 75% to 80% across fund employers.

No of Employers Dec 2020	No of Employers March 2021	Queries	RAG rating
20	14	10% >	Red
96	73	0.1 to 10%	Amber
336	360	0%	Green

March 2021



8.5 Data for the Unitary Authorities is listed below.

Unitary authorities	Queries Jun 20	Queries Sept 20	Queries Dec 20	Queries Marc 21	Member ship	RAG	
BANES	41	74	44	21	3342	0.62%	Amber
Bristol City	224	196	173	122	10603	1.15%	Amber
North Somerset	10	17	10	10	2167	0.46%	Amber
South Gloucestershire	134	166	106	104	6871	1.51%	Amber

8.6 MEMBER ADDRESS TRACING PROJECT

8.7 The project to locate member missing addresses is ongoing. During the previous year the Fund has commissioned professional services to undertake a bulk tracing exercise.

8.8 An overview of the project outcomes to date is detailed in the attached **Appendix 8** to this report. The next steps will be to complete the current exercise and set out a process for undertaking future tracing projects. Any recommendations will be brought to the Committee for consideration in due course.

9 RESOURCE UPDATE

9.1 The administration recruitment project is still ongoing and is currently in phase 3. The induction and training of newly appointed members of staff via the new training officer program is in place and working well.

9.2 Recruitment for McCloud remedy project team is progressing with the appointment of two temporary posts required for the data collection element of the project with 1 position remaining vacant at this time. Employer Services have 3 FTE vacant positions with a further 4 FTE vacancies outstanding on Member Services.

10 LATE PAYERS

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

10.2 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 material significance.

10.3 **Appendix 5** reports late payers in the period to 31st March 2021. 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.

11 RISK REGISTER

11.1 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.

11.2 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

11.3 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 2021.

11.4 The management of the risk register has been updated with the introduction of a more robust process for identifying and managing risks. The register including likelihood, impact and mitigating actions and overview dashboard are attached at **Appendix 6 and 6a.**

11.5 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.

11.6 The quarterly review took place in May and the management team agreed the following changes:

- a) The decision was made to remove the Brexit risk (R55) from the register as the immediate impact of Brexit has now past and it is not expected to have any further impact on assets.
- b) The Brunel risk of delays in transition (R54) will also be removed as the transition of assets to Brunel nears completion, but a new risk has been added to the register to reflect the ongoing risk of Brunel failing to deliver its objectives to clients in terms of service delivery (R65). Client assurance framework is in place providing detailed monitoring by Client Group and Brunel Oversight Board. The Investment Panel monitors investment performance and related investment issues. The Committee receives quarterly monitoring reports to review overall service delivery, financial aspects, RI aspects and effectiveness of the governance framework. Avon also has the Brunel Working Group to discuss any issues or emerging risks and to agree response to SRM/RMs.
- c) Although the recruitment plan is progressing well and is now into phase 3, it was decided to keep the risk (R28) at its current high level as the recruitment has created the requirement for backfilling of some positions. Also, the Technical & Compliance Advisor is due to leave the Fund in June 2021. Recruitment for a replacement is in progress but the Fund will seek additional support from Mercer, in the short term, if required.
- d) To assist with reviewing data protection and cyber security (R05) The Fund recently took part in AON's Cyber Security Scorecard and has received some preliminary results. It was agreed that the management team would hold a workshop over the summer to review the results in full and put a plan in place for any further actions.
- e) The sustainability of remote working continues to be monitored (R64). Banes' Planning for the Future project continues with final designs expected for Keynsham Civic Centre shortly and roll out of new IT equipment for all staff is in progress. The review of the Funds' administration strategy and digital transformation plans is now in place.

- f) Legislation that allows remote Committee & Pension Board meetings has now ceased. The Fund is working with Banes to agree how future face to face meetings can be held. Some remote meetings will continue to be held where no decisions need to be made.

12 IDRП

- 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 IDRП. The table at **Appendix 7** shows the cases going through at the present time.

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 STATEMENT

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

15 CLIMATE CHANGE

- 15.1 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.

16 OTHER OPTIONS CONSIDERED

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

17 CONSULTATION

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

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Background papers	<i>Various statistical documents.</i>
Please contact the report author if you need to access this report in an alternative format	