

# Bath & North East Somerset Council

MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>24 September 2021</b>
TITLE:	<b>PENSION FUND ADMINISTRATION</b> <b>Overview &amp; Summary Performance Report</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b>	
Appendix 1 – Performance against SLA & Workload	
Appendix 2 – TPR Data Improvement Plan	
Appendix 3 – Progress on Key Projects	
Appendix [4] – Risk Register	
Appendix [4a] – Risk Dashboard	

## 1 THE ISSUE

- 1.1 The purpose of this report is to present the Fund's performance for the three months to 30<sup>th</sup> June 2021 against its key performance indicators (KPI's) in relation to the administration of pension benefits.
- 1.2 The report also addresses the Fund's business operational position from an overall risk perspective

## 2 RECOMMENDATION

The Committee is asked to Note:-

- 2.1 Fund performance for the three months to 30<sup>th</sup> June 2021.
- 2.2 The current Risk Register.

## 3 COVID-19 AND FUND BUSINESS CONTINUITY

- 3.1 With multiple lockdowns in place since 23<sup>rd</sup> March 2020, the Fund focussed on communications across all stakeholders to monitor and manage business operations remotely.

3.2 As the situation continues to evolve it has become clear that there will not be a return to the previous 'normal' office working arrangements with the expectation of a more blended working approach being introduced by the employing authority going forward.

#### **4 WORKLOAD**

4.1 **Appendix 1** provides details of APF performance up to the end of the last quarter for KPI's measured against the current SLA. Generally, the Fund is operating below its desired target of >90% for most case types (Annex 1) although the case-by-case breakdown (Annex 2) evidences a higher volume for critical processes for retirements and death cases meeting the benchmark. Overall, however, KPI benchmarking performance has declined over the past year (Annex 3).

4.2 A number of contributing factors have combined to impact performance and these are expanded below.

4.3 Operationally, on the Member Services team there has been an increase in new monthly tasks over the previous 18 months from circa 1,800 to 2,200 tasks per month with the current outstanding cases totalling 4,841 (an increase of 58% since March 2020). The main volume of work is with member refunds, active member retirements and retirements from deferred status. Member estimate requests have increased by 35% over the same period. General enquiries also remain high in volume and a number of these identified as duplicate chasers. **TVO incorporating new TPR pledge to combat pension scams**

4.4 The move to monthly data receipt across employers is also a contributory factor across Employer Services. With the creation of additional tasks to be assessed for processing (mainly non retirement leavers and potential aggregation cases). There are currently 2,500 to be manually triaged and submitted to Member Services for processing.

4.5 During the previous 12 months admin resource has been focussed on managing all critical process as outlined by TPR directive. In addition, during the last 5 months significant time and key officer resource has been focussed on specific projects including (1) Year End data reconciliation & ABS delivery (2) Firefighters Pension Scheme – Immediate Detriment cases (3) Clearance of pre 31<sup>st</sup> March leaver backlog cases – prior to year-end. (4) Review and implementation of a process change for member transfer out cases to support the TPR pledge to combat pension scams.

#### **5 RESOURCE RECRUITMENT & TRAINING**

5.1 A further significant factor in performance downturn has been the shortfall in resource across both Member & Employer Service teams.

5.2 As previously agreed by the Pensions Committee a managed phased recruitment process across pensions admin has been in operation since July 2020. During this time twenty-two officers have either been recruited new to post or have moved internally within APF. This process has been managed remotely by senior officers with training and support provided by the new officer training program.

5.3 It is expected that overall performance will improve as new staff officers continue to bed in.

5.4 A number of vacant posts remain across the service. (i) As part of the ongoing phased recruitment there are 4.2 fte posts to backfill. (ii) Recruitment of the Technical & Compliance Advisor remains outstanding following the recent advertising campaign resulted in no applications being received. (iii) Recruitment of the Transformation Manager and Project Manager – currently being reviewed by Mercer consultant.

- 5.5 Currently, Mercer consultants are providing Technical & Compliance support and guidance as required.
- 5.6 To mitigate workload some project work has already been outsourced. In particular; GMP reconciliation project and address tracing project. Further bulk work will be considered for future projects although external resource is also limited due to supplier demand.

## **6 TPR DATA IMPROVEMENT PLAN**

- 6.1 There has been a minor downturn in the Funds recorded common data errors across a number of membership categories (**Appendix 2**), with an overall data score of 95.56% down from 95.64% from the previous quarter. This can be attributed in part to the year-end data reconciliation process.
- 6.2 Due to work being undertaken on the Interim Valuation this year, data cleansing remains as a key focus. This will continue throughout the next year prior to the Valuation for 2021/2022.

## **7 PROGRESS ON KEY PROJECTS**

- 7.1 **Appendix 3** provides the current position on a number of key operational projects currently in progress with an outline of further actions to be taken.
- 7.2 This is not a comprehensive list of all strategic admin projects and will be developed going forward to reflect APF expectations measured against those as set out in the service plan.

## **8 CHALLENGES & NEXT STEPS**

- 8.1 The challenges to the administration are multi-faceted. From improving performance management and resource upskilling, the development and implementation of software improvements to support service delivery and increase and improve member and employer self service capabilities.
- 8.2 A key enabler to reducing business as usual workload is the ability for members to self-service. Additional resource has now been recruited specifically to deliver an improved member experience through more direct customer service and signposting to maximise self service via My Pension Online facility.
- 8.3 From a workload and performance perspective a project will be undertaken to manage separately the current business as usual workload and accrued backlog. Details will be finalised in September and progress reported to Pensions Committee and LPB going forward.

## **9 RISK REGISTER**

- 9.1 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.
- 9.2 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

9.3 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 August 2021.

9.4 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 4 and 4a**.

9.5 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.

9.6 The quarterly review took place in August and the management team agreed the following changes and updates:

#### **a. R01- Disaster Recovery & Business Continuity**

The score has been increased from:

Likelihood – unlikely & Impact – medium = score of 6

To Likelihood – likely & impact – medium = score of 9

This is to reflect the fact that the Business continuity plan is currently being reviewed by Audit. Plus following the cyber security benchmarking exercise completed with AON we are currently analysing the results and further internal assurances will be required from IT. An action plan will be developed and a full report taken to Pension Board in Nov 2021 & Committee in December 2021.

#### **b. R57 – Introduction of Cost Transparency Disclosures**

Full disclosure for FY2020/21. All managers are now reporting in line with CTI templates although not all managers reporting in a consistent manner. Different templates for private and public assets make data consolidation difficult and manually keying data increases risk of human error. Templates do not reflect all pricing conventions e.g. where fees are charged to NAV on a daily basis as

opposed to being charged based on an average value over a predefined period. Some managers reported based on legacy CTI templates, others submitted their templates in PDF so had to manually convert data and pooled fund managers continue to report based on fund level (not individual client level). Some managers had to be prompted to submit the data and the use of the SAB platform is sporadic. Differences between CTI disclosures and fees reported as part of Statement of Accounts largely due to timing (where we estimate some fees in SoA to meet statutory deadlines).

**c. R59 – I-Connect data from Employers**

I-Connect portal now has tolerances that stop the data loading and allow the Fund to accept or reject a load, enabling loading to be handed back to some employers whilst retaining control of the process. Plans are being developed to hand back loading to Employers throughout 2021/22. Risks will be reviewed again as part this process.

**d. R07 – Communication**

The Fund recently introduced mass email communication for the first time, which was used in May/June 2021 to communicate with Deferred members regarding the introduction of Annual benefit statements being available to download from My Pension Online. This will be extended to Active members next year alongside a campaign to extend email communications to a greater portion of the membership. The risks associated with communicating in this way have been considered, with additional resource and controls being set up to deal with the increase in communication from members as a result of having to access the portal to read their statements.

## **10 RISK MANAGEMENT**

10.1 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.

## **11 EQUALITIES STATEMENT**

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

## **12 CLIMATE CHANGE**

12.1 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.

## **13 OTHER OPTIONS CONSIDERED**

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

## **14 CONSULTATION**

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

<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>	