

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	10 December 2021
TITLE:	PENSION FUND ADMINISTRATION Overview & Summary Performance Report
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Performance against SLA & Workload Appendix 2 – Annual Summary of Fund Membership Data Quality Appendix 3 – Progress on Key Projects Appendix 4 – Risk Register Appendix 4a – Risk Dashboard Appendix 5 - Service Plan Monitoring 2021 – 2022 Addendum – Communications Update (Presentation)	

1 THE ISSUE

- 1.1 The purpose of this report is to present the Fund's performance for the three months to 30th September 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 30th September 2021.
- 2.2 The current Risk Register.

3 COVID-19 AND FUND BUSINESS CONTINUITY

- 3.1 With multiple lockdowns in place since 23rd 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. With a small exception the majority of APF officers continue to work remotely from home with limited access to the office.

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 continues to operate below its desired target of >90% for most case types (Annex 1) although the case-by-case breakdown (Annex 2) evidences an improvement in critical processes for retirements and death cases from the previous quarter. Overall, however, KPI benchmarking performance has declined over the past year (Annex 3).

4.2 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 4,980 (an increase of 87% 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 40% over the same period. General enquiries also remain high in volume and a number of these identified as duplicate chasers.

4.3 As outlined in the previous quarterly report a project has now been set up to manage the outstanding workload identified in Annex 5. The project will run for a period of 6 months from October to March with the aim being to clear down all 'backlog' cases. At the same time business as usual will continue to be managed. Officers on Member Services team have been divided into project and BAU and will taper across to BAU as the backlog reduces.

4.4 Detailed progress on the backlog project will be brought to future Pension Committee and LPB meetings for noting and comment. The current overall position is set out below

Member Services Backlog Dashboard as at 15/11/2021 06:46:08

Project Start	11/10/2021	Starting Backlog	4,238	Days Allocated	171	Comp Rate (orig)	24.78	Projected End	06/02/2022
Today's Date	15/11/2021	Completed	1,254	Days Elapsed	35	Comp Rate (act)	35.83	Running on Time	
Project End	31/03/2022	Outstanding	2,984	Days Remaining	136	Comp Rate (req)	21.94	% of Work Remaining	61.89%

4.5

5 RESOURCE RECRUITMENT & TRAINING

5.1 Recruitment and retention remain a key factor impacting business operations. With a further 2 resignations in the past quarter the administration team is currently carrying 9 vacancies across both employer and member services teams in addition the Technical & Compliance post remains un-filled and posts identified to support service transformation are still in development. The team is also carrying four maternity leave absences across the service at this time.

5.2 As such the agreed phased recruitment plan is behind schedule as staff movement continues to impact progress. Recruitment continues to backfill vacant posts, maternity cover and secondment to projects and overstaffing is being considered at Assistant Pensions Officer level to mitigate the impact of further staff movement.

- 5.3 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 support is also limited at present due to supplier demand. Mercer consultants continue to provide Technical & Compliance advice and guidance.

6 FIRE PENSION SCHEME – MOU & FRAMEWORK AGREEMENT

- 6.1 On 8th October the Local Government Association (LGA) and Fire Brigade Union (FBU) agreed on a mutually acceptable memorandum of understanding (MOU) and framework (IDF), setting out a mechanism for handling immediate detriment cases, to assist Fire & Rescue Authorities to make immediate detriment payments to members who have retired or are due to retire.
- 6.2 It is for each Fire & Rescue Authority as the relevant scheme manager to adopt the IDF. Avon Fire Authority (AFA) will meet to agree its approach in December 2021.
- 6.3 If the IDF is adopted by AFA this will enable payments to be considered for affected members in advance of the remedying legislation which is expected in October 2023.
- 6.4 Undertaking delivery of the IDF will be a complex process and will require admin resource with specific technical skills and knowledge to manage. At this time the Fund has initially identified five officers to undertake service delivery.
- 6.5 Adoption of the IDF will impact business operations as resource is re focussed and work reprioritised in the short term. Further information will be presented to the Pensions Committee and pension Board as the situation evolves.
- 6.6 The Risk Register (R63) has been updated to reflect the impact of IDF.

7 ANNUAL SUMMARY OF FUND MEMBERSHIP DATA QUALITY

- 7.1 The scheme Actuary has produced a member data overview following the interim valuation see **Appendix 2**. This report compares APF current data position to that of 2017 when Mercer first reviewed the impact of poor data against employer liabilities. Mercer have identified key areas where the Fund held poor or missing data to which we have been able to focus data cleansing projects.
- 7.2 The Employer Services team will be using the 2021 data tool to focus on the main areas of data cleansing in advance of the 2022 valuation. Officers will continue to work with scheme employers to improve member data which will result in both a positive impact on employer costs and improvement in overall accuracy of member information in meeting compliance with TPR requirements.

8 PROGRESS ON KEY PROJECTS

- 8.1 **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.
- 8.2 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.
- 8.3 For completeness **Appendix 5** outlines the Funds progress against the Service Plan.

8.4 Whilst the majority of projects remain in progress and on target some delays have inevitably occurred in other areas and overall strategic objectives will need to be reviewed and recalibrated as the Fund prepares its rolling business plan for 2022/2025.

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 November 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 November and the management team agreed the following changes and updates:

- (i) **R66 - Pensions Dashboard**

A new risk was added to the register to represent the risk to the Fund of not being ready for the implementation of the Pensions Dashboard. The Fund will be in breach of the regulations if it is not able to go live by the compulsion date, likely to be between Sept 2023 & March 2024. The risk of not being ready is currently a relatively low risk as

preparations have started. A Project lead officer has been appointed & a project plan is in place. The focus of the project will be data quality, reducing backlogs and ensuring resources & processes are in place to deal with the expected increase in member queries following the implementation date. A data protection impact assessment will also be carried out.

(ii) R63 – McCloud/Sargeant Judgements

The impact of the McCloud risk has been increased to (5) almost critical, to represent the significant additional workload to the administration team caused by the fire immediate detriment decision.

(iii) R28 – Recruitment of Staff

Although phase 3 of the recruitment project is complete, the risk has been retained at its current high level due to the continuing difficulties of recruiting staff. The Technical & Compliance Advisor role has not been filled, two other resignations have been received and there are still a few posts to backfill due to internal promotions.

(iv) R08 – Internal Controls

There was no change to the risk score but following the completion of the last year's internal audit work, reports on IConnect, Scheme of delegation, Altair IT System, Risk Management & COP14, all received an assurance level of 4 'Good'. A full report is included under item 15 and was also reported to the Pension Board in September 2021.

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 Paris Aligned Global Equities, Sustainable 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.

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	