

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	24 June 2022
TITLE:	PENSION FUND ADMINISTRATION (i) Overview & Summary Performance Report (ii) Risk Register (iii) Budget Monitoring
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Performance against SLA & Workload Appendix 2 – TPR Data Improvement Plan Appendix 3 – Progress on Key Projects Appendix 4 – Risk Register	

1 THE ISSUE

- 1.1 The purpose of this report is to present the Fund's performance for the three months to 31st March 2022 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 and provides an update forecast on the Funds cash flow and budget.

2 RECOMMENDATION

The Committee is asked to Note:

- 2.1 Fund performance for the three months to 31st March 2022.
- 2.2 The current Risk Register.
- 2.3 The updated cashflow forecast

3 COVID-19 AND BUSINESS CONTINUITY

- 3.1 As COVID restrictions are removed, APF officers are undertaking a more blended working approach in line with arrangements introduced by Bath & North East Somerset Council. Whilst the Civic Centre remains closed, temporary working arrangements are in place in the short term providing 15 workstations in the Guildhall.

3.2 Arrangements to acquire long term office space have been pursued with alternative accommodation secured in Keynsham in the Riverside Suit. Design of the workspace is currently taking place with B&NES Preparing for the Future team with an expected relocation expected towards the end of 2022.

4 WORKLOAD

4.1 **Appendix 1** provides details of APF performance to the end of the last quarter for KPI's measured against the current SLA. With Increasing volumes of work the Fund continues to operate below its desired target of >90% for most case types (Annex 1) and the case-by-case breakdown (Annex 2) demonstrates an overall general parity with the previous quarter. Generally, however, KPI benchmarking performance has declined over the past year (Annex 3).

4.2 A Contributory factor relating to underperformance can be associated with the inclusion of the current backlog project and the processing of historic workload cases impacting KPI's. Including the ongoing training with the shift from a bucket task list to an alpha split requiring the team to be multi skilled and the continued loss of experienced staff.

4.3 The Backlog project has exceeded the original six-months allocated timeframe. The final cases being more complex, requiring Senior Pensions Officer's sign off and cases waiting for outstanding information that will be dealt with outside the backlog project.

4.4 Details as at 26th May 2022 on progress made to clear the backlog are shown below and are in the final stages of completion. Cases actioned but awaiting a third party reply have been re-stated as completed and will be picked up as BAU going forward.

Project Start	Starting Backlog	Cases Completed	Cases Outstanding	Reply Received
11/10/2021	4,218	3,643 86.37%	548 12.99%	26 0.64%

4.5

5 RESOURCE RECRUITMENT & TRAINING

5.1 Recruitment and retention remain a key factor impacting business operations. Employer Services currently have 4 FTE vacancies and member services teams have 3 FTE vacancies in addition the Technical & Compliance post remaining unfilled. The administration is also carrying three maternity absences across the service at this time. The Fund is currently engaging with a specialist recruitment agency to secure 4 technical posts on a temporary basis pending ongoing recruitment campaigns.

5.2 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 operational workload some project work has already been outsourced. In particular; GMP reconciliation project and the address tracing project. Mercer consultants continue to provide Technical & Compliance advice and guidance.

6 SUMMARY OF FUND MEMBERSHIP DATA QUALITY

6.1 The Fund continues to maintain a Common Data score above 95%, the TPR DIP report provides an overview and annual trending view of the outstanding cases for the last 12 months, please refer to **Appendix 2**

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 administration projects, and the report will continue to evolve, reflecting APF expectations measured against those as set out in the service plan.

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.

8.4 The Fund reviews all risks annually and the top 10 risks and changes quarterly with the latest review in March 2022.

8.5 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 are attached at **Appendix 4**.

8.6 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.

8.7 The quarterly review took place in May 22 and the management team agreed the following changes and updates:

8.8 One new risk was added to the register as follows:

(i) R67 Stagflation

Risk of stagflation (persistently high inflation and low growth/recession) is rising globally but especially in the UK. This could have material negative impact on the funding level especially if prolonged i.e. For more than 5 years, however this is not the central case scenario. Of particular concern given benefits are cpi linked; assets only partially hedged for inflation. Stagflation over next 3 years could see significant rises in employer contributions (assuming asset values do not keep pace with inflation) at the 2025 valuation.

The funding and investment strategies are continuously monitored for emerging risks. The FRMG holistically monitors on monthly basis, Panel monitor the performance of the existing strategy quarterly and Committee undertakes strategic reviews at least every 3 years. Current investment strategy includes allocation to inflation linked /sensitive assets (secured income and infrastructure).

The portfolio has inflation hedging in place providing a partial hedge. The hedge ratio is kept under review by FRMG.

Wage inflation (both short term and long term salary growth assumptions) is discussed as part of the Funding strategy/plans and consideration of potential economic scenarios is taken into account.

(ii) No other changes were made to risk scores.

9 BUDGET MONITORING

9.1 The budget outturn for the year was underspent by £617k. The detailed budget and cashflow monitoring tables can be found on the Mod Gov Library.

	Status	Comment if significant under/over
Administration		Reduced salaries expenditure due to delays in filling vacant posts against budget in Benefits team.
Governance & Compliance		Underspend on compliance costs relating to FRS fees being lower than budgeted. Also, compliance costs recharged on to employers, exceeded expectations.
Investment Fees		IFM Performance Fee paid in year (do not forecast performance fees in the budget).
Pensions Board		Separate recruitment campaign not required for new Pensions board member.
Total		

Key:

	Significant underspend (>5%) against budget for the year
	On budget for the year (not significantly under or over)
	Significant overspend (>5%) against budget for the year

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 addresses 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	