

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	23SEPTEMBER 2011	
TITLE:	PENSIONS ADMINISTRATION STRATEGY: UPDATE REPORT	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 New Service Level Agreement (“SLA”)</p> <p>Appendix 2 Performance Criteria for joint delivery to members (Appendix 1 of SLA)</p> <p>Appendix 3 Format of Stewardship Report for Employers (Annex 3 of Pensions Administration Strategy Statement)</p> <p>Appendix 4 Summary of Employers Responses & roll out of self service facilities</p>		

THE ISSUE

- 1.1 The purpose of this report is to update the Committee on the progress in taking forward the required actions following the Pensions Administration Strategy coming into effect from 1st April 2011: namely the progress made by Officers in signing Service Level Agreements with all employers; establishing training requirements of employers' staff and agreeing delivery; establishing electronic data transmission by employers. In addition the Committee also requested details of Officers progress towards electronic delivery of information to members.
- 1.2 This information is set out in Appendix 1 to 3.

2. RECOMMENDATION

That the Committee notes:

- 2.1 The current position on the actions in 1.1 above and the Officers reported proposals to progress these.

. FINANCIAL IMPLICATIONS

3.1 Electronic delivery of information to the Fund is expected to reduce the amount of resource required to process inputs and outputs and result in savings. At this stage however it is too early to assess an actual amount.

3.2 Electronic delivery to members could result in tangible future savings on postage and printing. The amount will depend on the level of take up over and above those already registered for Member Self Service. At this stage therefore as above it is too early to assess an actual amount.

4. Background

The Committee were advised at the last meeting that the Avon Pension Fund had put in place a Pensions Administration Strategy “the Strategy” from April 2011. Under this there are a number of actions and the Committee has asked for an update on these, namely:

- ❖ Performance Reporting (4.1.1)
- ❖ Employers’ Staff Training (4.1.2)
- ❖ Electronic submission of member data change information by employers to the Fund (4.1.3)
- ❖ Electronic delivery by the Fund of general and personal information to Scheme members (4.1.4)

4.1. SERVICE LEVEL AGREEMENTS (“SLAs”)

Although the larger and medium sized employers (numbering 11) already have SLAs in place, a more concise version has been produced with revised performance targets for both the Fund and employers. A copy of the new SLA is attached as **Appendix 1**. All 112 employers in the Fund are expected to sign their own SLA. Bristol City Council acted as employer responsible for reviewing and signing off the new “standard” SLA and this was rolled out to all employers in July 2011. It is intended that meetings will take place with the larger employers to review/agree the standard SLA and amend it if necessary to reflect that employer’s specific circumstances.

These meetings are scheduled to be held over the next quarter. To date 25 employers (mainly smaller ones) have signed and returned signed copies of the new SLA without query or comment.

4.2 PERFORMANCE REPORTING – STEWARDSHIP REPORTS

Appendix 1 of the SLA sets out the Performance criteria for specified actions for both the employer and the Fund. Regular Stewardship Reports on major items namely starters and retirements will be produced and provided to each employer. For most this is expected to be quarterly (See **Appendix 2** for agreed actions to be monitored and **Appendix 3** for the proposed Stewardship Report format). A **Summary** report will be submitted to the Committee each quarter so that they are aware of the level of performance by the Fund and employers. *It is expected that this will be an Exempt Appendix as it will contain information which could be regarded as commercially sensitive as some employers (where outsourcing has occurred are commercial for profit bodies.)*

4.3 STAFF TRAINING - EMPLOYERS AND AVON PENSION FUND

It is recognised in the Administration Strategy that administration of the Fund is a joint process between the Fund and Scheme employers and that staff of both the Fund and Scheme employers need to receive on-going adequate training to ensure their competence in operating the pension administration process for delivery of an excellent service for Scheme members.

4.3.1 Employers

There is therefore an on-going commitment to provide adequate training to employers’ staff to enable them to be proficient in performing their part of the pension administration process. It was felt appropriate to allow employers to advise the Fund of specific areas where they felt that their staff need specific training. A questionnaire was sent to all employers in May (with a reminder in

June) 2011. Encouragingly, over two thirds of employers have responded and their responses are currently being analysed, following which a comprehensive targeted training programme will be drawn up for employers' staff. This is expected to commence in November 2011. Training will be either site visits to employers or group sessions in Keynsham, depending on employer staff numbers.

4.3.2 Avon Pensions Staff

The Fund's own staff receive appropriate on-going on-the-job training as necessary. All have Personal development plans and all staff are given the opportunity and are encouraged to study for external professional qualifications which will improve their own and the Fund's professionalism.

4.4 ELECTRONIC DELIVERY OF MEMBER DATA CHANGES BY EMPLOYERS

As part of the Administration Strategy and incorporated into the SLA, all employers will be signed up to electronic delivery of member data changes namely, joiners, changes and leavers by 1 April 2012 (larger and medium employers) and 1 October 2012 (smaller employers).

There are two alternative methods of delivery available to employers. The more appropriate method will depend on size and activity level of employment:

➤ **BULK update basis**

Although a number of the larger/medium employers are doing this already they are achieving this by *manual* input into an Excel spreadsheet which leaves room for human error. Larger employers are expected to provide monthly *bulk* updates from data downloads from their payroll primary source information. This is the way the largest employer Bristol City Council currently operates and has been doing so for five years and this works very efficiently.

A series of meeting over the next few months are scheduled with the other 3 unitary authorities to help them achieve this. A very positive meeting has already taken place with North Somerset Council and it looks promising that it will have produced a test model by late October 2011.

Once electronic delivery becomes "the norm" it is possible that those employers still submitted on paper will be charged additional administration fees for causing the Fund disproportionate work in comparison to other Scheme employers. It is therefore in these employers' interest to put in place the necessary payroll or management reports to enable extract of bulk data in an electronic format for submission, even if this means additional cost in the short-term, as in the long-term this will avoid such additional charges from the Fund. Employers are advised in the Strategy document to "invest to save."

➤ **INDIVIDUAL On-line Updating basis**

Employer Self Service ("ESS") (web-based browser software from Heywood (the main software supplier to the Fund) which the Fund purchased this year is the alternative method that employers can use to deliver member data change information electronically. ESS has been made available to all employers in August 2011. Currently read only, this facility will be upgraded from late October 2011 (following a new Heywood release) to allow registered employers to perform on-line updating (in a controlled environment) for individual member changes. This method is most suitable for smaller employers (over a hundred) and those medium-sized employers with low levels of member change activity.

5. ELECTRONIC DELIVERY OF INFORMATION TO SCHEME MEMBERS

5.1. OBJECTIVE: Although not specifically part of the Pensions Administration Strategy, the Fund's objective is to provide information electronically to members wherever possible and where appropriate. This initiative if successful should provide significant future savings on printing and postage. As a pilot, the most recent copy of the Fund's active members' Newsletter was successfully sent electronically by one Scheme employer to all its staff.

5.2 STRATEGY TO IMPLEMENT: The Fund is therefore currently developing a strategy to increase its use of electronic delivery for both general information (such as member and employer Newsletters) and for individual personal communications (such as members' Annual Benefit Statements) which contain sensitive personal and confidential information. It is recognised that a high level of security will be needed for members to access individual personal information (see *Member Self Service below*).

5.3 The Disclosure of Information Regulations 2010: An important development relating to this is the *new* Disclosure Regulations in 2010. These specify that electronic delivery meets legal requirements equally as well as mailed hard copy. This clears the way for the Fund to move forward on electronic delivery of all its communications.

In order for the Fund to achieve this, the legislation requires it to tell members on that it proposes to move to using electronic means of delivery, if this is by default. This will take place by inclusion of the notification in scheduled sendings to members over the next 9 months or so. It is therefore expected that by summer 2012, as many as 60% of the membership could be receiving all general and personal information electronically. It is however appreciated that for some employers a significant percentage of their membership do not have e-mail access at their workplace. Following a straw poll of employers last year, this could be as high as 40% for some and **they will be able to opt to continue to receive information by post in a PRINTED FORMAT** by completing a simple tear off return slip (post-paid) on any of the three occasions.

5.4 MEMBER SELF SERVICE ("MSS"), which members can register for, will be the main conduit for electronic "delivery" as it provides fully secure access for members to their own information held on the Avon Pension Fund database. Currently over 1,500 members (5% of active members) have already signed up for this and the Fund is vigorously promoting this in a variety of ways such as payslips, Newsletters and at pension clinics. Although it is possible to store members' e-mail addresses on their computerised record, Officers wish to avoid this as the on-going maintenance of this on over 30,000 separate member records would create significant extra work possibly requiring additional staff resource reducing potential cost savings.

Appendix 4 contains a Summary of Employers Responses & roll out of Self Service facilities.

6. RISK MANAGEMENT

6.1 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.

7. EQUALITIES

7.1 No equalities impact assessment is required as the Report contains only recommendations to note.

8. CONSULTATION

8.1 None appropriate.

9. ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 This report is for noting only.

10. ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Steve McMillan, Pensions Manager Tel: 01225 395254</i>
Background papers	None