

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	23 SEPTEMBER 2011	
TITLE:	PENSION FUND ADMINISTRATION - EXPENDITURE FOR YEAR TO 31 AUGUST 2011 AND PERFORMANCE INDICATORS FOR 3 MONTHS TO 31 JULY 2011	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Summary Financial Account: financial year to 31 August 2011	
Appendix 2	Summary Budget Variances: financial year to 31 August 2011	
Appendix 3A	Balanced Scorecard : 3 months to 30 April 2011 (narrative)	
Appendix 3B	Balanced Scorecard in 3A: Graphs for <i>selected</i> items	
Appendix 4A	Customer Satisfaction Feedback in the 3 months to 31 July 2011 (<i>Retirements from ACTIVE status</i>)	
Appendix 4B	Customer Satisfaction Feedback in the 3 months to 31 July 2011 (<i>Retirements from DEFERRED status</i>)	
Appendix 4C	Customer Satisfaction Feedback in the months to 31 July 2011 (<i>Pensions Clinics</i>)	
Appendix 5	Active membership statistics over 24 months to August 2011 (<i>graph</i>)	
Appendix 6	Joiners & Leavers (statistics & <i>graph</i>)	
Appendix 7	Statistics showing the current level of opt outs in major Fund Employers	

THE ISSUE

- 1.1 The purpose of this report is to inform the Committee of administration and management expenditure incurred against budget for the financial year to 31 August 2011. This information is set out in Appendix 1 and 2.
- 1.2 This report also contains Performance Indicators and Customer Satisfaction Feedback from recently retired members and from 31 July 2011.

2. RECOMMENDATION

That the Committee notes

- 2.1 the expenditure for administration and management expenses incurred for the year to 31 August 2011 and Performance Indicators for the 3 months to 31 July 2011.

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by the Avon Pension Fund are recovered from the employing bodies through the employers' contribution rates.
- 3.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 provide that any costs, charges and expenses incurred administering a pension fund may be paid from it.

4. COMMENT ON BUDGET

- 4.1 The summary Financial Accounts have been prepared to cover the period 1 April 2011 to 31 August 2011 and are contained in **Appendix 1**.
- 4.2 The variance for the year to 31 March 2012 is forecast to be £246,000 over budget. Within the directly controlled Administration budget it is forecast that expenditure will be £20,000 below budget as a result of reduced expenditure on salaries.
- 4.3 A summary of variances to 31st August 2011 and forecast for the full year is contained in **Appendix 2** to this Report.

5. BALANCED SCORECARD SHOWING PERFORMANCE INDICATORS ("PIs") FOR THE 3 MONTHS TO 31 JULY 2011

- 5.1 The information provided in this report is consistent with the methodology applied to the Council generally but has been customised to reflect the special circumstances of the Avon Pension Fund. Full details of *performance against target*, in tabular and graph format, are shown in **Appendices 3A and 3B**.

5.2 ADMINISTRATION PERFORMANCE

5.2.1 Figures in the Balance Scorecard for performance of processing tasks within internal targets in SLAs figures are not currently available as work is being carried out on the "reporting tool." An updated Balance Scorecard will be circulated by e-mail before the meeting.

- 5.2.2 The level of **work outstanding** (Item C5 and graphs 5-7) In the 3 month period 3,744 tasks were created and 3,589 cleared (95.8%), leaving an outstanding workload of 4.2% well within the target of 10%.

- 5.3 **COMPLAINTS:** There were **no** complaints received in the period.

- 5.4 **2011 YEAR END AND MEMBERS ANNUAL BENEFIT STATEMENTS ("ABSs")**
98% of the employers have submitted their year end salary information; this is currently being posted to members' records and reconciled. Statements for active and deferred members are due to be rolled out to members starting in October 2011.

6. LEVEL OF OPT OUTS FROM THE SCHEME

- 6.1 The Committee has asked that the position on opt outs from the Scheme be monitored in view of recent events affecting public pensions and the trend reported back to each Committee meeting.

Concern was expressed at the last meeting that the high profile attaching to public sector pensions as a result of significant media coverage of recent events might be

leading to an unwarranted increase in the number of new and existing members opting out of the Avon Pension Fund Scheme. In particular, the recent events are recommendations to the government by Lord Hutton following his review of Public Sector pensions and their sustainability *and* the announcement by H M Treasury to increase members' contributions from next April, both of which could make LGPS benefits less valuable and less attractive to members.

6.2 The following are the actions taken by the Fund's Officers to deter members from opting out prematurely and to monitor opt out trends going forward:

6.2.1. **Deterring Members: A special announcement** addressed to active members has been placed on the prominent News area of the Avon Pension Fund website to deter members from making a premature decision to opt out of the Scheme before detailed government proposals for change are even announced. A general misconception seems to be that benefits already accrued could be adversely affected by future changes and that if members opt out they will avoid this. The Fund announcement makes it clear that this is not the case as the government has declared its intention not to do this.

6.2.2 **Monitoring future opt outs and reporting trends**

- Employers have been asked to provide information to establish who is in and who is out and the Fun. There has been a fair response with 64 replies from employers (including all larger employers). This information will be used as a benchmark position going forward. See **Appendix 7** for statistics for the top 9 employers' responses. This represents 86% of the active membership and reveals that the opt out rate across these employers is 80%. Opt outs for the Universities are significantly higher perhaps reflecting the lower ages of their staff.
- Administration processes were amended in June 2011 to identify opt outs in a reportable field. At present however it is too soon to be able to provide the Committee with any meaningful statistics
- The standard Opt Out form that members sign has been amended to ask them to specify **why** they have opted out using 4 simple to use tick boxes.
- The Pension Scheme's current software is being amended by Heywood for its next release in October 2011 to provide "opt out" as a recordable and reportable reason for leaving. This will make it much easier to monitor the on-going position on opt outs.

6.3 **Active Membership Statistics (to assist monitoring of opt out trends)**

6.3.1 Figures of the current active membership for 24 months to the end of August 2011 are shown for information in a graph format in **Appendix 5**. Also enclosed is **Appendix 6** which shows the joiners and leavers movements from January 2009 to August 2011. As can be seen the number of leavers has outweighed the joiners over the period: however this is probably to be expected with the redundancies coming through and less staff being taken on by employers due to austerity measures.

6.3.2 Active Membership figures in graph format will be included as a standard item to be reported at future Committee meetings to monitor the trend in member movements at this volatile time when higher than normal level of 1) redundancies and 2) opt outs by members concerned about future scheme changes and potential increases to their contributions.

7. CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 JULY 2011

7.1 *Retirement Questionnaires*

Appendix 4A reports on the customer satisfaction based on **75** questionnaires returned from **active** members retiring. On average 72% received their lump sum and 75% their first pension payments within “10 day” target (See chart).

Appendix 4B reports on the customer satisfaction based on a small sample of **39** questionnaires returned from *former* active members retiring from **deferred** status. 90% received their lump sum and 87% their first pension payments within “10 day” target (See chart).

Overall service rating as good/excellent from both actives and deferreds on the service received from Avon Pension Fund staff handling their retirement was 96% (See chart Item 5 on both graphs). A few Scheme members suggested some changes to aid the retirement administration process and these are being considered.

7.2 **Clinics** In this period 11 clinics were held **127** members gave feedback with a good/excellent rating of 100% for the service provided by APF staff. The venue and location was slightly less well-rated scoring a good/excellent rating of 90%. (See **Appendix 4C**)

8. EVENTS DURING THE PERIOD

8.1 **Pensions Administration Strategy** became operative from 1st April 2011. At this meeting there is a separate Report to this update on progress of relevant items from the Strategy - the rollout of revised Service Level Agreements: proposals for employer staff training following analysis of returned questionnaires from employers on their requirements and electronic delivery of member data information from employers.

8.2; The Heywood self-service facility for employers has now been tested in-house and by a Scheme Employer and has been made available to employers in June 2011. (The Report referred to in 7.1 above also covers this.)

9. RISK MANAGEMENT

9.1 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.

10. EQUALITIES

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

11. CONSULTATION

11.1 None appropriate.

12. ISSUES TO CONSIDER IN REACHING THE DECISION

12.1 This report is for noting only.

13. ADVICE SOUGHT

13.1 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.

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Background papers	Various Accounting and Statistical Records