

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	AGENDA ITEM NUMBER
MEETING DATE:	9 DECEMBER 2011	
TITLE:	PENSION FUND ADMINISTRATION - EXPENDITURE FOR YEAR TO 31 OCTOBER 2011 AND PERFORMANCE INDICATORS FOR 3 MONTHS TO 31 OCTOBER 2011 AND EMPLOYER/FUND PERFORMANCE FIRST 2 QUARTERS 2011	
WARD:	'ALL'	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1	Summary Financial Account: financial year to 31 October 2011	
Appendix 2	Summary Budget Variances: financial year to 31 October 2011	
Appendix 3A	Balanced Scorecard : 3 months to 31 October 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 October 2011 <i>(Retirements from ACTIVE status)</i>	
Appendix 4B	Customer Satisfaction Feedback in the 3 months to 31 October 2011 <i>(Retirements from DEFERRED status)</i>	
Appendix 4C	Customer Satisfaction Feedback in the months to 31 October 2011 <i>(Pensions Clinics)</i>	
Appendix 5	Active membership statistics over 24 months to October 2011 <i>(graph)</i> included as Graph 8 in Appendix 3B	
Appendix 6	Joiners & Leavers (statistics & <i>graph</i>) included as Graph 9 in Appendix 3B	
Appendix 7	Summary Performance Report on Scheme Employers performance (to be taken in exempt session) first 2 Quarters 2011 - Annex 1 Deferreds / Annex 2 Retirements	
Appendix 8	List of Academies	

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 October 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 October 2011.
- 1.3 A new Summary report on the performance of employers and the Fund is also included.

2. RECOMMENDATION

That the Committee notes

- 2.1 the expenditure for administration and management expenses incurred for the year to 31 October 2011 and Performance Indicators for the 3 months to 31 October 2011 and Summary Performance report for first two quarters 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 October 2011 and are contained in **Appendix 1**.
- 4.2 The variance for the year to 31 March 2012 is forecast to be £85,000 under budget. Within the directly controlled Administration budget it is forecast that expenditure will be £65,000 below budget as a result of reduced expenditure on salaries and general communications and an increased net recharge of compliance costs.
- 4.3 A summary of variances to 31st October 2011 and forecast for the full year is contained in **Appendix 2** to this Report.

5. ADMINISTRATION PERFORMANCE: BALANCED SCORECARD SHOWING PERFORMANCE INDICATORS ("PIs") FOR 3 MONTHS TO 31 OCTOBER 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 **Performance against target:** Appendix 3A shows the Fund's performance in processing tasks as measured against targets in the new SLAs. Although *Employer Self Service* targets Retirements, estimates and death processing at 80%, 88% and 89% were acceptable against their targets of 90%. Deferreds were also slightly below their target of 75% at 70%. Transfer in at 76% and transfers out at 69% were acceptable against their target of 75%.
- 5.3 In other areas shown in selected Graphs the Fund:
 - 5.3.1 The Fund had excellent feedback on the service to member at clinics (*Chart 1*)
 - 5.3.2 The trend in use of the Avon Pension Website continues as pensions remain high profile in the media (*Chart 2*)
 - 5.3.3 A reduction in short term sickness and no long term sickness ; the use of temporary staff is within target (*Chart 3*)
 - 5.3.4 The trend in new cases created continues to decline while the outstanding workload trend is marginally increasing. These are relatively small numbers in comparison to total cases processed each month and is therefore not a cause for major concern. (*Charts 6 & 7*)

5.35 The level of **work outstanding** (Item C5 and charts 5-7) In the 3 month period, 3,399 tasks were created and 3,082 cleared (90.67%), leaving an outstanding workload of 9.33% which is within the APF target of 10%.

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

6. MAJOR EVENTS DURING THE PERIOD

6.1 ACTIONS FROM THE NEW ADMINISTRATION STRATEGY

6.1.1 Service Level Agreements (“SLAs”) All employers are expected to sign SLAs . To date 55 have been received out of a possible 120 and the remaining 65 are being followed up. The majority of the medium to larger employers have signed up. New employers will sign up of an SLA as part of the induction process.

6.1.2 EDI: Employers must be delivering information on changes starters and leaver by specified dates in 2012. For the smaller employers this will be achieved by using *Employer Self Service* but the Fund is working with medium to larger employers to do this on a bulk basis.

6.1.3 Employer Self Service This new facility was reported on at the last meeting. It allows employers to have on line access to selected areas of their employees' pension information. .There was a phased roll-out to those employers who elected to have it during November 2011. In view of the potential for misuse of data accessed by employers, stringent Terms and Conditions for use of the facility are in place and employers must accept these *each time* they log in. These Terms and Conditions were approved by B&NES legal, data protection and Audit departments before issue.

6.1.4 Employer training: A questionnaire to identify areas of the pension administration process where employers wanted training was sent to employers in the summer. There was a high response (71%) from employers. Although no major areas of need were identified by employers many require training for new staff and in areas of where changes to the Scheme have resulted in changes to process. A program of training is therefore being developed for early 2012.

6.2 2011 YEAR END / MEMBERS ANNUAL BENEFIT STATEMENTS (“ABSs”)

6.2.1 2011 YEAR END: All Fund employers have now submitted their year-end salary and member contribution information and this has been posted to members' records and reconciled (***See Stewardship Report for more detail (Appendix 7).***)

6.2.2 MEMBERS ABSs: Although no Annual Benefit Statements (“ABS”) were sent out in the reportable period those for active and deferred members have started to be rolled out in November 2011. All statements including deferred and councillor members will be sent by the calendar year end. As last year those for active members will be sent with the autumn edition of *Avon Pension News* to secure significant postage savings.

7. SUMMARY PERFORMANCE REPORT TO THE COMMITTEE

7.1 As part of the Administration Strategy which came into effect in April 2011 a new **Stewardship Report** is to be sent to all employers to report of both their and the Avon Pension Fund's administration performance against targets in the new SLAS. The frequency will depend on the size of the employer and frequency/level of

processes. Reports will be sent quarterly to the larger employers quarterly and follow up review meetings held as appropriate.

7.2 A Summary report to the Pensions Committee is also included as a requirement of the Strategy. The first report is included as **Appendix 7**. This is to be taken in **exempt session** as employers' names and performances in a league table format are included. The Report will disclose any poor performing employers which need to improve. It is important that the Committee are aware of these going forward.

7.3 **Appendix 7** contains:

- Graphs for each of the largest employers *(viz. 4 unitaries) showing performance on processing leavers (***retirements and deferred*** at this stage). **Graphs 8 & 9 on Appendix 3B**
- Report on late **pension contributions** by employers to the Fund
- **Year-end information** from employers and **ABS** despatch will reported once a year only and because of timing the following is included in this report:
 - List of employers showing the dates in order they submitted information split on or before the due date by each employer and the overall percentage of employers received on or before the due date
 - Annual Benefit Statement - report on progress in production/despatch

** **Smaller Employers:** Performance of the remaining employers is not included in this report this time. This is a difficult area as in many cases there is little or no movement in membership and where for example there is only one leaver in the period their performance will either be 0% or 100% which is not very helpful information. The best way to report their performance is therefore being investigated and the intention is to include information in future reports to Committee. Any particular smaller employers' performance against target where there is cause for concern will be specifically reported to the Committee from next report.*

8. LEVEL OF OPT OUTS FROM THE SCHEME

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

8.2 APF's Administration processes were amended in June 2011 to identify opt outs in a reportable field. Reports run indicate that only 40 members with more than 3 months service opted out over the 5 month period to the end of October 2011. This equates to an annual amount of only 96 members. When expressed as percentage of the total membership of 33,519 this is only **0.29 per cent** per annum and is an encouraging sign that significant numbers of members are not leaving the Scheme in advance of knowing what the increase to pension contributions and benefits will be.

8.3 Although the standard members Opt Out form has been amended to ask them to specify **why** they have chosen to opt out using 4 simple to use tick boxes very few members have indicated why however those few that have done so have indicated cost as the reason for leaving the Scheme.

The position on opt outs will continue to be monitored and reported to the Committee at each of its Meeting.

9. TRENDS IN MEMBERSHIP/ JOINERS AND LEAVERS

The active membership statistics are shown in graph format in **Appendix 3B Graph 8** and the numbers of joiners and leavers feeding into this also in graph format in **Appendix 3B Graph 9**.

The overall membership has **remained fairly constant** over the last few years around the 33-34,000 mark but there has been a noticeable fall in joiners over the same period which is perhaps to be expected with the on-going recruitment freeze in local authorities. A similar fall in leavers (which would include opt outs) has mirrored the downward trend.

10. NEW ACADEMIES

10.1 Since the change in government policy establishing academies, devolved from local authority control, the Fund has experienced a significant increase in employing bodies. The current list of new academies can be found in Appendix 8 (includes those schools that are in the process of converting to academy status).

10.2 This has generated a significant amount of additional work that is being absorbed by the Employer Relationship team (manages new employers into the Fund) and the Systems Team that amend the member records.

10.3 The new academies have a deficit at the outset. This arises because the liabilities of the active members are transferred to the academy whereas the assets transferred are reduced to ensure that the pensioner and deferred liabilities that remain with the unitary council are fully funded. In the future the academies will accrue liabilities relating only to the active members.

11. CUSTOMER SATISFACTION FEEDBACK IN 3 MONTHS TO 31 OCTOBER 2011

11.1 *Retirement Questionnaires*

Appendix 4A reports on the customer satisfaction based on 73 questionnaires returned from **active** members retiring. On average 85% received their lump sum and their first pension payments within “10 day” target (See chart).

Appendix 4B reports on the customer satisfaction based on a small sample of 28 questionnaires returned from *former* active members retiring from **deferred** status. 86% 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).

11.2 **Clinics** In this period 3 clinics were held 53 members gave feedback with a good/excellent rating of 98% for the service provided by APF staff. The venue and location was slightly less well-rated scoring a good/excellent rating of 89%. (See **Appendix 4C**)

12. RISK MANAGEMENT

12.1 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.

13. EQUALITIES

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

14. CONSULTATION

14.1 None appropriate.

15. ISSUES TO CONSIDER IN REACHING THE DECISION

15.1 This report is for noting only.

16. ADVICE SOUGHT

16.1 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