

Wolverhampton City Council

OPEN INFORMATION ITEM

Committee / Panel

PENSIONS

Date

17/04/2013

Originating Service Group(s)

WEST MIDLANDS PENSION FUND

Contact Officer(s)/

GEIK DREVER

Telephone Number(s)

2020

Title/Subject Matter

SERVICE PLAN MONITORING 2012/13

1. Recommendation

- 1.1 At the April 2012 meeting, Members approved the update to the 2015 Medium Term Financial Plan and 2012/13 Operating Budget.
- 1.2 Members are requested to note the financial monitoring along with the Fund's key performance indicators.

2. Purpose of the Report

2.1 At the April 2012 meeting, Members approved the update to the 2015 Medium Term Financial Plan and 2012/13 Operating Budget. This report provides an update to the plan along with the Fund's financial and business plan monitoring.

3. Medium Term Plan

3.1 The nine key priorities in the Business Plan are detailed in Appendix 1, which represents a summarised update of activities; Pensions Committee will receive a detailed report on the individual priorities in the 'Assurance Framework and Annual Governance Statement' submitted in to this Committee, April 2013.

3.2 The plan provides the supporting medium-term financing statement to the Fund's Business Plan which was approved at the Committee meeting on 6 April 2011, a full copy of which is available on the Fund's website www.wmfonline.com.

3.3 Activities against the plan continue in line with objectives; the key points to note being the proposed 2014 new scheme, the development of a trustee training policy, preparatory work ahead of the 2013 actuarial valuation exercise and the comprehensive review of the Fund's investment strategy.

4. Key Performance Indicators

4.1 Appendix 2 shows the Key Performance Indicators (KPIs) that have been developed and implemented by the Fund, and performance against these targets. Additional KPIs are being implemented across the Fund's activities and these will underpin the key priorities of the medium-term plan.

4.2 Performance continues in line with objectives, with the exception of 'Benefit Statements' as previously reported. Over the reporting period, general flows of work resulted in either stable or slightly reduced performance against the previous period, although most areas continued to perform well in excess of the set KPIs. However, two areas failed to meet the KPI during the period in respect of Retirement options and Death in Service notifications; this was due partly to a broadening of the measurement parameters and partly to unforeseen resourcing issues. A subsequent resource review has been undertaken and support allocated, in order to address the performance issues.

5. Operating Budget 2012/2013

5.1 The summary operating budget for pension services and current projected outturn as at 31st March 2013 for 2012/13 are shown below:

	2012/13 Budget	2012/13 Projection	2012/13 Over/(Under)
Employees	4,694,783	4,693,784	(999)
Premises-related	278,490	286,669	8,179
Transport-related	163,350	72,210	(91,140)
Supplies and services			
- Communications and computing	1,120,110	934,002	(186,108)
- Investment management & advice	8,474,330	8,474,330	-
- Other (including actuarial fees)	1,666,685	1,378,701	(287,984)
Support services	698,000	698,000	-
Service development	590,000	15,609	(574,391)
Total expenditure	<u>17,685,748</u>	<u>16,553,304</u>	<u>(1,132,444)</u>
Miscellaneous income	<u>(295,100)</u>	<u>(210,197)</u>	<u>84,903</u>
Net expenditure	17,390,648	16,343,107	(1,047,541)

5.2 The projected underspend of £1.05m is due mainly to the following:

- Transport related reduction in cost is due to a significant reduction in travel by Fund officers.
- Provision was made within computing for new equipment and changes required for the administration system, which will not now be incurred this year due to the deferred requirement for system enhancements in preparation for auto enrolment and the new LGPS.
- In other expenses, there has been reduction in expenditure on legal, consultants and custody fees for the year to date, although there is an increase in actuarial fees due to increasing outsourcing work and valuation matters arising from changing structures in employing bodies. A proportion of the actuarial expenditure is covered by recharges to individual employers and shown under miscellaneous income.
- Service development expenditure is limited due to the rescheduled timetable and publication of the LGPS 2014 regulations. When final guidance is published, work will escalate in further preparation for the Fund to implement the new Scheme, with the projected spend increasing accordingly.
- Investment management and advice represents nearly 50% of the operating budgets as the single largest item. This figure will vary with market movements and the performance of managers, as a number of arrangements have an element of a performance related fee. Projected final costs are shown in line with budget and will be updated further when all Q3 and Q4 management fee invoices have been received.

5.3 The Fund, like all public sector bodies, is reviewing its operating costs and procedures. All key operational processes are being reviewed under the LEAN review process with the support of Midlands Excellence. Substantial costs are incurred on postage which has been affected by sharp price increases. Consultation with pensioners has been undertaken on reducing the frequency of pension pay advice. Consequently, a move to reducing the frequency of issued payslips to those for core changes, such as Pensions Increases, and other significant pay variations, has been implemented with effect from April 2013. The anticipated 2013/2014 saving as a result of the changes will be in the region of £175,000 on printing costs and a further £150,000 on postage.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
1. Maintain quality procedures and practices:	
<ul style="list-style-type: none"> - Maintain quality accreditations - Invest in leading technologies - Respond to best practice shown by others - Respond to legislative changes 	<ul style="list-style-type: none"> - The Fund has undertaken re-evaluation for the Customer Service Excellence accreditation and successfully retained the award. - Systems and technologies are monitored and maintained by a professional and appropriately resourced staff. - The Fund actively participates in networking and information sharing with peers and industry practitioners, both learning from others and sharing its own practices. - Technical specialists within the Fund monitor and interpret legislative changes and communicate requirements to the wider organisation. A specialist team from existing resources has been established to implement the 2014 Scheme and external advice will be utilised, where appropriate, to support the Fund.
2. Demonstrate 'value for money' in the Fund's operations:	
<ul style="list-style-type: none"> - Demonstrate quality of service delivery - Benchmark performance costs and service quality 	<ul style="list-style-type: none"> - The Fund has developed and implemented a number of key performance indicators (KPIs) to ensure targets for service delivery, both internally and externally, are reviewed, measured and reported on a timely basis. Performance targets are a combination of internally determined and external benchmarks and are reviewed quarterly. Further details on a selection of KPIs are detailed in section 3 of this report.
3. Develop, implement and maintain customer engagement strategies:	
<ul style="list-style-type: none"> - Develop technical support for maintaining communication strategy for employing bodies - Develop communications with stakeholders and monitoring of pension provisions to individuals - Develop, consult upon and implement the Pensions Administration Strategy - Hold Employer AGM - Develop and implement customer engagement strategies 	<ul style="list-style-type: none"> - The Fund held its first Employer AGM in December 2012 which was attended by representatives from 54 employers. Presentations were made by Fund staff and the Local Authority Pension Fund Forum, the Local Government Association and the Fund's Actuary, Mercer. Feedback from the event was very positive and will be utilised in the planning of the next event. - The Fund maintains a comprehensive website, providing documentation and information for members, employers and other interested parties. The website provides important information for stakeholders, such as proposed legislative or scheme changes. - The web portal is used by all 7 Councils, along with a further 160 employers, for retirement estimates and other employer data. Scheme members can also access their individual records to update data, and so far approximately 2,720 have signed up for the service. - The bi-annual civic Roadshows were held in June at the seven district sites across the West Midlands. The Roadshows attracted more than 700 visitors from across the Fund's membership including active, deferred and pensioners. General information was provided in addition to details of proposed 2014 Scheme changes and auto-enrolment. - Three, week long retirement planning events have been held throughout the year at venues across the West Midlands in partnership with Prudential. Presentations focused on updating members on the proposed 2014 Scheme changes. - Customer surveys are analysed and resulting improvements are implemented as part of the changes to processing. - Engagement with employers in respect of the Pensions Administration Strategy and performance reporting is on-going.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
4. Management of risk strategies:	
<ul style="list-style-type: none"> - Regular risk management reviews - Review of major changes and new activities - Develop and maintain risk management approach in order to give annual assurance statement - Develop and implement Business Continuity Planning 	<ul style="list-style-type: none"> - An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit. - Quarterly compliance testing has produced no reportable issues. The investments and operations compliance functions have been integrated to provide a Fund-wide function from July 2012. - The annual assurance statement is presented to the April 2013 Pensions Committee. - The Fund has appointed a lead officer to manage the preparation and implementation of the new LGPS 2014 Scheme. - The business continuity plan will be tested in April 2013
5. Deliver the agreed investment strategy:	
<ul style="list-style-type: none"> - Review, implement and monitor investment strategy - Communicate and consult on progress - Develop appropriate changes for approval - Monitor and highlight opportunities with due regard to risk - Explore, evaluate and consult on options to Sub-Committee and interested parties 	<ul style="list-style-type: none"> - Hymans Robertson are the Fund's strategic investment advisor and a full review of the investment strategy and allocation is underway, with regular progress reporting being made to Members. - Work has started on a review of the Fund's SIP, and the update will be presented to the April 2013 Committee. - Work has commenced on reviewing the structure of the Fixed Interest portfolio following recommendations from Hymans Robertson. - The Fund's response to potential investment opportunities will be further developed in conjunction with advice from Hymans, following the on-going review of the Fund's strategic investment allocation benchmark.
6. Active management of Environmental, Social and Corporate Governance (ESG) issues:	
<ul style="list-style-type: none"> - Voting and engagement through partnerships - Reviewing investment processes to encourage ESG 	<ul style="list-style-type: none"> - The Fund continues to vote at company meetings for the majority of its global holdings, and employs PIRC to advise on corporate governance issues. As an active member of the Local Authority Pension Fund Forum, the Fund also works in conjunction with a number of other public sector pension funds to engage with investee companies on a variety of issues, with the aim of encouraging best practice and enhancing investment returns. - A document outlining the Fund's compliance with the UK Stewardship Code is published on the web-site. Periodic assessment of the Fund's activities are undertaken on behalf of the Financial Reporting Council, and in addition, further research projects and engagement is undertaken on behalf of the Fund by PIRC. - During 2012, voting at company meetings was expanded to include Pacific (ex. Japan), Poland and Turkey. - The Fund signed up to UNPRI in 2011. The annual assessment survey will be undertaken and reported during 2013 and guidance has been provided by LAPFF in order to assist with the assessment and reporting requirements.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
7. Triennial Actuarial Valuation:	
<ul style="list-style-type: none"> - Engage with employing bodies and discuss issues - Collect data for valuation - On-going review of investment strategy in order to maintain SIP and FSS - Regular monitoring of funding levels 	<ul style="list-style-type: none"> - The Fund maintains a comprehensive website, providing documentation and information for employers on a variety of matters, including the actuarial valuation. - The Fund held its first employer AGM in December 2012 which was attended by 54 employers. Included in the presentation was a detailed overview of the forthcoming valuation objectives, timetable and data requirements, by the Fund's Actuary, Mercer. - A review is in progress to assess data requirements, to further cleanse existing data and to collect and collate appropriate data for the 2013 valuation. - A comprehensive review of the investment strategy and asset allocation is currently being undertaken. The SIP and FSS will be updated to reflect any changes resulting from this review, and from the outcomes of the 2013 actuarial valuation exercise.
8. Trustee and Consultative Panel Training:	
<ul style="list-style-type: none"> - Maintain and expand the opportunities to build Trustee knowledge and understanding - Monitoring of approved training policy - Identification of training needs and development of training plan 	<ul style="list-style-type: none"> - Structured induction training has been provided to a number of Trustees by the Director of Pensions, and is available to all Members as required. Two further days of formal training took place at the Fund's offices in January and February 2013. A 'mop up' session for those unable to attend has been arranged for the 23rd April 2013. - A Trustee Training Policy was approved by Members at the November 2012 Committee and progress will be reported to the June 2013 Pensions Committee. - The CIPFA Knowledge and Skills Framework has been revised and provided to Members.
9. Developing People:	
<ul style="list-style-type: none"> - Ensure a skilled and professional workforce - Identify and address training and development needs - Measure and improve competency levels 	<ul style="list-style-type: none"> - Structured induction training is provided in-house for all new employees. - Annual appraisals are undertaken by all Fund staff to determine competency levels and to identify training needs and objectives.

Performance Indicator or Description	Target Performance	Actual Performance	Period	Previous Performance	Previous Period	Movement
BENEFITS ADMINISTRATION KEY PROCEDURES						
NEW JOINERS New starters processed within 10 days	85%	99.63%	Jan-Feb 13	99.92%	Oct-Dec 12	-0.29%
TRANSFERS IN Non-LGPS transfers in processed within 10 days	85%	96.88%	Jan-Feb 13	100.00%	Oct-Dec 12	-3.12%
Non-LGPS transfers in payments within 10 days	85%	100.00%		100.00%		0.00%
TRANSFERS OUT Non-LGPS transfer out quotations processed within 10 days	85%	99.10%	Jan-Feb 13	99.35%	Oct-Dec 12	-0.25%
Non-LGPS transfer out payments processed within 10 days	85%	96.16%	Jan-Feb 13	100.00%	Oct-Dec 12	-3.84%
RETIREMENTS Retirement options to members within 10 days	85%	73.97%	Jan-Feb 13	98.63%	Oct-Dec 12	-24.66%
New retirement benefits processed for payment following receipt of election within 10 days	85%	99.66%	Jan-Feb 13	100.00%	Oct-Dec 12	-0.34%
DEATH IN SERVICE Notification of benefits due to next of kin within 10 days	85%	75.00%	Jan-Feb 13	100.00%	Oct-Dec 12	-25.00%
Processing of dependents' pensions for payment following receipt of all documents within 10 days	85%	100.00%	Jan-Feb 13	100.00%	Oct-Dec 12	0.00%
Processing of death grants for payment following receipt of all documents within 10 days	85%	100.00%	Jan-Feb 13	100.00%	Oct-Dec 12	0.00%
DEATH IN DEFERMENT Notification of benefits due to next of kin within 10 days	85%	85.72%	Jan-Feb 13	100.00%	Oct-Dec 12	-14.28%
Processing of dependents' pensions for payment following receipt of all documents within 10 days	85%	100.00%	Jan-Feb 13	100.00%	Oct-Dec 12	0.00%
Processing of death grants for payment following receipt of all documents within 10 days	85%	100.00%	Jan-Feb 13	100.00%	Oct-Dec 12	0.00%
FUND INVESTMENT PERFORMANCE To outperform the benchmark on a 3 year rolling basis	VARIANCE +/- 2%	BENCHMARK 8.90%	Jan-13	BENCHMARK 7.29%	Nov-12	-0.22%
		ACTUAL 9.14%	Jan-13	ACTUAL 7.75%	Nov-12	
BENEFIT STATEMENTS ABS issued to 95% of eligible active members by 30th September	95%	89%	Sep-12	87%	Oct-11	2.00%
DBS issued to 85% of eligible deferred members by 30th October	85%	83%	Jul-12	82%	Jul-11	1.00%
CONTRIBUTIONS RECEIVED Main Fund 98% (total value) of contributions to be received by the due date.	98%	99.90%	Jan-Feb 13	99.60%	Oct-Dec 12	0.30%
Travel Fund 98% (total value) of contributions to be received by the due date.	98%	100.00%	Jan-Feb 13	100.00%	Oct-Dec 12	0.00%
CLEAN AUDIT REPORT Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	Yes	Year to 31/03/2012	Yes	Year to 31/03/2011	0.00
Annual audit returns no significant findings	0 significant findings	0		0		
COST PER MEMBER Administration cost per member to be reduced from budgeted figure of £24	<£24	£21.05	Mar-12	£21.76	Mar-11	£0.71