

# Wolverhampton City Council

## OPEN INFORMATION ITEM

Committee / Panel	<b><u>PENSIONS</u></b>	Date	<b>21/11/2012</b>
Originating Service Group(s)	<b><u>WEST MIDLANDS PENSION FUND</u></b>		
Contact Officer(s)/ Telephone Number(s)	<b><u>GEIK DREVER</u></b> <b><u>2020</u></b>		
Title/Subject Matter	<b><u>PENSION SERVICE 2012/13 BUSINESS PLAN, KPI AND</u></b> <b><u>OPERATING BUDGET MONITORING</u></b>		

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### 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 received a detailed report on the individual priorities in the 'Assurance Framework and Annual Governance Statement' submitted in April 2012.
- 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.
- 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. Separate reports are being submitted to Pensions Committee on each of these points.

## 4. Key Performance Indicators

- 4.1 Appendix 2 shows the Key Performance Indicators 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' where, although an improvement was achieved on the previous year, performance was impacted by a change in the statutory publication timescale and the inclusion of additional member types in the distribution. Future efficiencies are anticipated from the implementation of improvements identified during this exercise, enhancements to automated processes and targeted cleansing of data records.

## 5. Operating Budget 2012/2013

- 5.1 The summary operating budget for pension services and current projected outturn for 2012/13 are shown below:

	2012/13 Budget	2012/13 Projection	2012/13 Over/(Under)
Employees	4,694,783	4,691,963	(2,820)
Premises-related	278,490	275,834	(2,656)
Transport-related	163,350	71,002	(92,348)
Supplies and services			
- Communications and computing	1,120,110	934,688	(185,422)
- Investment management & advice	8,474,330	8,474,330	-
- Other (including actuarial fees)	1,666,685	1,338,218	(328,467)
Support services	698,000	698,000	-
Service development	590,000	57,193	(532,807)
Total expenditure	<u>17,685,748</u>	<u>16,541,228</u>	<u>(1,144,520)</u>
Miscellaneous income	<u>(295,100)</u>	<u>(169,142)</u>	<u>125,958</u>
Net expenditure	17,390,648	16,372,086	(1,018,562)

5.2 The projected underspend of £1m 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 in 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 delayed 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. At this stage it is still too early to project with any accuracy, the likely cost.

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 Pension Increases, and other significant pay variations, will be implemented in April 2013.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>1. Maintain quality procedures and practices:</b>	
<ul style="list-style-type: none"> <li>- Maintain quality accreditations</li> <li>- Invest in leading technologies</li> <li>- Respond to best practice shown by others</li> <li>- Respond to legislative changes</li> </ul>	<ul style="list-style-type: none"> <li>- The Fund is preparing to undertake re-evaluation for the Investors in Excellence accreditation process in 2013 and will continue to submit award entries where appropriate.</li> <li>- Systems and technologies are monitored and maintained by a professional and appropriately resourced staff.</li> <li>- The Fund actively participates in networking and information sharing with peers and industry practitioners, both learning from others and sharing its own practices.</li> <li>- Technical specialists within the Fund monitor and interpret legislative changes and communicate requirements to the wider organisation. A specialist team from existing resources will be established to implement the 2014 Scheme and a background report to this Committee. External advice will be utilised, where appropriate, to support the Fund.</li> </ul>
<b>2. Demonstrate 'value for money' in the Fund's operations:</b>	
<ul style="list-style-type: none"> <li>- Demonstrate quality of service delivery</li> <li>- Benchmark performance costs and service quality</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
<b>3. Maintain and develop customer engagement strategies and implement arrangements:</b>	
<ul style="list-style-type: none"> <li>- Develop technical support for maintaining communication strategy for employing bodies</li> <li>- Develop communications with stakeholders and monitoring of pension provisions to individuals</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- The web portal is used by all 7 districts for retirement estimates and other employer data. Scheme members can also access their individual records to update data.</li> <li>- The bi-annual civic roadshows were held in June at the seven local authority sites across the West Midlands. The roadshows attracted more than 700 visitors from across the Fund's membership including active, deferred and pensioners. Information was provided in relation to the proposed 2014 Scheme changes, auto-enrolment and general questions about the benefits of being a member of the LGPS.</li> <li>- Three, week long retirement planning events have been held throughout the year at venues across the West Midlands in partnership with Prudential. Presentations focussed on updating members on the proposed 2014 Scheme changes.</li> <li>- Customer surveys are analysed and resulting improvements are implemented as part of the changes to processing. Customer journey mapping is planned for January 2013, following customer focus group outcomes.</li> </ul>

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>4. Development of risk management strategies:</b>	
<ul style="list-style-type: none"> <li>- Regular risk management reviews</li> <li>- Review of major changes and new activities</li> <li>- Develop and maintain risk management approach in order to give annual assurance statement</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- The annual assurance statement was presented to Pensions Committee in April 2012.</li> </ul>
<b>5. Deliver the 2011 investment strategy:</b>	
<ul style="list-style-type: none"> <li>- Review, implement and monitor investment strategy</li> <li>- Communicate and consult on progress</li> <li>- Develop appropriate changes for approval</li> </ul>	<ul style="list-style-type: none"> <li>- Hymans Robertson were appointed as strategic investment advisor in January 2012, and a full review of the investment strategy and allocation is underway, with regular progress reporting being made to Members.</li> </ul>
<b>6. Develop a response to investment opportunities:</b>	
<ul style="list-style-type: none"> <li>- Monitor and highlight opportunities with due regard to risk</li> <li>- Explore, evaluate and consult on options to Sub-Committee and interested parties</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
<b>7. Responding to investment corporate governance issues:</b>	
<ul style="list-style-type: none"> <li>- Develop ESG investing, voting and engagement through partnerships</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
<b>8. Implement 2010 and prepare for 2013 valuation</b>	
<ul style="list-style-type: none"> <li>- Inform employing bodies and communicate issues</li> <li>- Collect data for valuation</li> <li>- Undertake interim valuation</li> <li>- On-going review of investment strategy in order to maintain SIP and FSS</li> </ul>	<ul style="list-style-type: none"> <li>- Information is made available on the Fund's website and regular meetings/correspondence is undertaken with employers.</li> <li>- 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.</li> <li>- 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.</li> </ul>
<b>9. Member training</b>	
<ul style="list-style-type: none"> <li>- Maintain and expand the opportunities to build member knowledge and understanding</li> </ul>	<ul style="list-style-type: none"> <li>- 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 are being arranged to take place at the Fund's offices in early 2013.</li> <li>- A Trustee Training Policy has been prepared and submitted to Members for approval.</li> <li>- The CIPFA Knowledge and Skills Framework has been revised and provided to Members.</li> </ul>

PERFORMANCE INDICATOR DESCRIPTION	Target Performance	Actual Performance	Period	Previous Performance	Previous Period	Movement
<b>BENEFITS ADMINISTRATION KEY PROCEDURES</b>						
<b>NEW JOINERS</b> New starters processed within 10 days	85%	99.76%	Sep-12	100.00%	Aug-12	-0.24%
<b>TRANSFERS IN</b> Non-LGPS transfers in processed within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Non-LGPS transfers in payments within 10 days	85%	100.00%		100.00%		0.00%
<b>TRANSFERS OUT</b> Non-LGPS transfer out quotations processed within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Non-LGPS transfer out payments processed within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
<b>RETIREMENTS</b> Retirement options to members within 10 days	85%	98.90%	Sep-12	98.54%	Aug-12	0.36%
New retirement benefits processed for payment following receipt of election within 10 days	85%	100.00%	Sep-12	99.47%	Aug-12	0.53%
<b>DEATH IN SERVICE</b> Notification of benefits due to next of kin within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Processing of dependents' pensions for payment following receipt of all documents within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Processing of death grants for payment following receipt of all documents within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
<b>DEATH IN DEFERMENT</b> Notification of benefits due to next of kin within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Processing of dependents' pensions for payment following receipt of all documents within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
Processing of death grants for payment following receipt of all documents within 10 days	85%	100.00%	Sep-12	100.00%	Aug-12	0.00%
<b>FUND INVESTMENT PERFORMANCE</b> To outperform the benchmark on a 3 year rolling basis	VARIANCE +/- 2%	BENCHMARK 8.36%	Aug-12	BENCHMARK 9.63%	Jul-12	-0.09%
		ACTUAL 8.81%	Aug-12	ACTUAL 10.17%	Jul-12	
<b>BENEFIT STATEMENTS</b> 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 active members by 30th October	85%	83%	Jul-12	82%	Jul-11	1.00%
<b>CONTRIBUTIONS RECEIVED</b> Main Fund 98% (total value) of contributions to be received by the due date.	98%	99.56%	Aug-12	99.74%	Jul-12	-0.18%
<b>CLEAN AUDIT REPORT</b> Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	Yes	2011/2012	Yes	2010/2011	0.00
Annual audit returns no significant findings	0 significant findings	0	2011/2012	0	2010/2011	0.00
<b>SICKNESS ABSENCE</b> Fund staff to have less than 6 days sickness, on average, per annum.	6 days p.a.	1.28	Jun-12	5.74	Mar-12	4.46
<b>ADMINISTRATION COST PER MEMBER</b> Cost per member to be reduced to below budgeted figure	<£24	£21.05	Mar-12	£21.76	Mar-11	£0.71