

# Pensions Committee

**2pm, Tuesday, 18 December 2012**

## **Service Plan 2012 -2015 - Monitoring Update**

<b>Item number</b>	5.7
<b>Report number</b>	
<b>Wards</b>	All

### **Links**

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<b>Coalition pledges</b>	
<b>Council outcomes</b>	<a href="#">CO26</a>
<b>Single Outcome Agreement</b>	

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# Executive summary

## Service Plan 2012 - 2015 - Monitoring Update

### Summary

Progress against the objectives agreed in the 2012-15 Service Plan is detailed in Appendix 1. Overall, objectives are being achieved. The following are of particular note:

- 99% of active members' annual benefits statements were provided on-line and notifications issued to members;
- Completion of the governance review;
- Changes made to processes, and support and guidance to employees, in relation to auto-enrolment.

In addition to progress against Service Plan, Lothian Pension Fund and Lothian Buses Pension Fund have been shortlisted in the Local Government Chronicle Awards.

Appendix 2 shows the targeted Performance Indicators for the 2012-2015 Service Plan and actual performance against these targets.

A summary of the projected financial outturn for 2012/13 in the table below.

	<b>Approved Budget</b>	<b>Actual Outturn</b>	<b>Actual Variance</b>
<b>Category</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employees	1,914	1,875	(39)
Transport	27	23	(4)
Supplies & Services	864	833	(31)
Investment Managers Fees	10,284	9,300	(984)
Other Third Party Payments	349	410	61
Depreciation	44	44	-
<b>Direct Expenditure</b>	<b>13,482</b>	<b>12,485</b>	<b>(997)</b>
<b>Allocated Central Support Costs</b>	<b>702</b>	<b>702</b>	<b>-</b>
Income	(884)	(904)	(20)
<b>Total Cost to the Funds</b>	<b>13,300</b>	<b>12,283</b>	<b>(1,017)</b>

The key variances against budget are:-

- Employees - £39k underspend. This is mainly due to unfilled posts across division (£128k underspend), temporary agency costs (£37k overspend) and retirement costs (£52k overspend).
- Investment management fees – £984k underspend. This is primarily due to the termination of active currency overlay contracts.
- Third party payments - £61k overspend. This is due to Northern Trust accounting fee, which had not been budgeted for.

## Recommendations

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It is recommended that Pensions Committee notes the progress made against the service plan.

## Measures of success

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The performance indicators shown in the Appendix show the progress and success against the Service Plan.

## Financial impact

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There are no direct financial implications related to this report. The budget monitoring shows an underspend of approximately £1m.

## Equalities impact

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No full equalities impact assessment is required.

## Sustainability impact

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No full sustainability impact assessment is required.

## Consultation and engagement

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Customer insight and consultation informed the priorities of the service plan.

## Background reading / external references

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Not applicable.

## Links

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### Coalition pledges

<b>Council outcomes</b>	CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.
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### Single Outcome Agreement

<b>Appendices</b>	1 - Lothian Pension Fund Service Plan 2012-2013 2 - Lothian Pension Fund Performance Indicators
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## Lothian Pension Fund Service Plan 2012-2013

Generated on: 20 November 2012

### 1. Provide Excellent Customer Care

Priority Outcomes	Action	Progress	Due Date
<b>Improve insight into our customers' needs and experiences</b>	Contact customers (on a sample basis) for their views on our service following receipt of service. Publish results and action taken. Engage with customers using Customer Journey mapping to reveal opportunities for service improvements.	Mystery shopper exercises and surveys being carried out. (see performance indicators)  Improvement made to the transfer in process, we now give new scheme members with previous pension rights the option to defer a transfer decision and send them a reminder three months before their deadline expires. A recent remapping exercise demonstrated that this customer groups needs are now being met.  We also engaged with the recently bereaved to complete a Customer Journey Map. As a result we have reviewed and amended our communications.	31-Mar-2013
<b>Improve communication with members and employers</b>	Advising of any changes, including consultations on proposals, to the benefit structure and contributions of the Scottish LGPS.	Recent news of Pensions Bill communicated to members on website and employers via e-mail and face to face briefings.	31-Mar-2013
	Continue to develop the Fund's website to improve functionality for users and ensure information is up to date. We are currently working on adding video content.	The website is continually reviewed and updated. We added video content to help members register for member self-service.	
	Implement 'employer on-line' access, thereby facilitating up to date records through electronic transfer of information in standard formats.	System procured. A project plan has been agreed to implement and roll out to employers, with the larger employers being prioritised. The roll out to smaller employers will take place in 2013/14	
	Promote the benefits of LGPS membership to active members and employees, thereby enhancing the sustainability of the scheme	In conjunction with Prudential, one of our in-house AVC providers, a mailing was sent to active scheme members over the age 45 to promote the benefits of LGPS membership. Auto enrolment starts in 2013 and this is expected to increase membership. Support where possible is being provided to employers for auto enrolment. Opt out communications have been reviewed.	
	Provide pension clinics at selected employer locations by utilising the web-based pension administration system	A project team has been set up to take pension's clinics forward. However, due to staffing issues full rollout of pension clinics are currently on hold. A briefing on the scheme for union shop stewards in Edinburgh was held in October.	

# Appendix 1

Priority Outcomes	Action	Progress	Due Date
<b>Improve access to personal information through website or via telephone</b>	Further promoting the 'My Pension' personal access to information through secure web based 'member on-line' system.	Following the launch in September 2011 member on-line has been further promoted through annual newsletter and natural workflow e.g. telling scheme members about it when they contact us by telephone, in writing or face-to-face enquiries.	31-Mar-2013
	Provide all Annual Benefit Statements from now on electronically unless the member has previously expressed a preference for continuation of paper format.	All 28,000 active members annual benefit statements were online by 31 August 2012. We issued a newsletter including their activation code or username reminder by the end of September 2012. 600 paper forecasts were sent by end of October 2012.  In July 2012, all deferred benefit statements were available on the site. 8,000 deferred members were sent an annual newsletter including an activation key to view their annual benefit statements electronically. The remaining will be sent by the end of November 2012.	
<b>Improve Service delivery</b>	Monitor service standards per the Pension Administration Strategy at both Fund and selected individual employer level, including Partnership Agreements and liaise with employers to improve performance.	Performance reports have been issued to employers. Improvement meetings have been held with Large Employers.	31-Mar-2013
<b>Maintain Customer Service Excellence accreditation</b>	Ensure that we continue to improve our services by directly involving our customers.	Lothian Pension Fund continue to work on service improvements identified from customer feedback including employer on-line, member self service and how we process workflow within pensions administration. The CSE assessment takes place in January 2013.	31-Mar-2013
<b>Tailor service to customer needs - employers</b>	Tailor service to customer needs - employers	Options for bespoke investment strategy are now being offered to employers	31-Mar-2013
<b>Tailor service to customer needs - members</b>	Tailor service to customer needs - members	Aligns with CSE above.	31-Mar-2013
<b>Ensure LPF's compliance with the statutory obligations of auto-enrolment provisions</b>	Revise LPF documentation and procedures to take account of the new statutory auto-enrolment provisions	Meetings have been held with the largest employers to discuss introduction of auto-enrolment. Draft guidance from the Local Government Employers association has been circulated. Opt out process has been amended	31-Mar-2013
<b>Deliver an excellent service to Falkirk Council</b>	Ensure standards of customer service excellence are maintained in respect of the Falkirk Council Pension Fund Service Level Agreement	Lothian Pension Fund is supporting Falkirk Pension Fund. Training of elected members took place in August and quarterly meetings began in September. Regular meetings with their Investment Managers being held.	31-Mar-2013

# Appendix 1

## 2. To Support and Develop Staff

Priority Outcomes	Action	Progress	Due Date
<b>Empowering and motivating staff to provide excellent customer service and improve performance</b>	Carry out Staff Survey improvement plans and involve staff in improvement projects	Business Process Review also underway in pensions administration to improve workflow.  Staff Survey improvement plan has been updated following 2012 survey. Focus will be on communication, trust with line managers, empowering staff to make improvements and personal development. Remit of Staff Forum is being clarified to improve its effectiveness.  Teams of pensions administration staff recently reorganised to improve accountability and consistency.	31-Mar-2013
<b>Enhance staff feedback systems</b>	Facilitate the regular Staff Engagement Forum and ensure staff contributions are recognised both formally and informally. The Investment & Pensions Service Manager also hold a regular surgery for staff to raise any issues on a confidential basis.	Staffs views and suggestions are encouraged at team meetings. The Services Manager holds monthly one-to-one surgeries to enable staff to raise any confidential issues and is also meeting with small staff groups.	31-Mar-2013
<b>Develop staff</b>	Ensuring staff are provided with career and personal development opportunities	A skills audit is being issued to staff on a phased basis to help identify and implement career and personal development opportunities. A training matrix has been developed and is being rolled out for Pension Assistants. Career aspirations and personal development plans are discussed and agreed at the annual PRD meeting.	31-Mar-2013
	Improving staff training by implementing the core competency, skills and knowledge framework	Aligns with above.	
	Providing shared file and e-access to procedure manuals and training material	Procedure manuals are in place and are reviewed periodically. Revised investment accounting functions are currently being put in place following the custodian taking on the accounting of investments and manuals will be updated to reflect new processes and controls.	
<b>Ensure clear communications of goals and expectations</b>	Provide clear objectives at annual appraisal meetings and review progress, in accordance with the Council's staff management policies and procedures.	All staffs half-year PRDs have been completed. Performance objectives have been set for all staff. Managers aim to meet with staff individually and as a team on a monthly basis.	31-Mar-2013
<b>Support staff through change programmes</b>	Ensure regular communication of change projects such as departmental structure changes, shared services, ICT developments, scheme and governance reviews.	A monthly verbal update is provided to all staff by the Services Manager which is also summarised in an e-mail.	31-Mar-2013
<b>Ensure staff are informed of LPF's progress, performance and achievements</b>	Provide regular DMT update sessions on key performance elements and topics.	Monthly performance and quarterly service plan updates are provided to all staff via covalent web link. Updates are also provided to staff at meetings.	31-Mar-2013

# Appendix 1

## 3. To continue to be a top performing pension fund

Priority Outcomes	Action	Progress	Due Date
<b>Provide an efficient, accurate and effective service</b>	Continue to improve the quality of pension administration data and ensuring compliance with best practice as defined by the Pensions Regulator.	Ongoing data cleansing continues with measurement later in the year. The monthly reconciliation of pension payments is ongoing.	31-Mar-2013
	Explore the potential for further service efficiencies by the greater use of electronic communications (e.g. beneficiary nominations etc).	Electronic communications is being explored in the workflow BPR currently taking place. e.g. sending member communications via member self service. Also aligns with employer on-line.	
	Monitor the performance standards specified in the Pension Administration Strategy and take appropriate action thereon.	2011/12 performance reports have been issued to employers and improvement meetings held. Reports to 30/09/2012 are being prepared.	
	Revise the LPF organisational structure and budget to accord with integrated pensions payroll provision and initiate implementation project (target date for implementation to be determined in consultation with ICT supplier).	Meetings have taken place with HR and payroll management, in order to formalise Terms of Reference and Protocol. Contract with the payroll supplier has been signed, with 8 months implementation programme scheduled to commence in January 2013.	
<b>Continue the programme of business process reviews</b>	Use business process reviews to improve efficiency and service to customers.	A "pension administration workflow" BPR is in underway to help us to identify how we can work more effectively, thus improving performance and our service to our customers. Several suggestions made have been introduced already eg changes to auto-task assignment	31-Mar-2013
<b>Annual Report – attain an unqualified audit opinion</b>	Improve quality of accounting records, including ensuring consistency in validation of investment valuations and data reconciliations (e.g. contributions receivable).	Revised procedures have been implemented during the year end accounting.	30-Sep-2012
<b>Undertake strategic investment review and further utilise investment management skills</b>	Review the investment strategies of the Lothian Pension Fund, Lothian Buses Pensions Fund and Scottish Homes Pension Fund - investigate options for the internal investment team to enhance performance and manage investment risks.	Complete Implementation of revised strategies will be taken forward by Investment Strategy Panel.	31-Mar-2013
<b>Risk is managed effectively</b>	Review risks regularly. Review and strengthen internal controls, specifically relating to investment	Risk, compliance and internal controls are reviewed each quarter. Procedures and segregation of duties exists to ensure that funds are managed in adherence to guidelines and objectives. A review of investment risk including FSA regulations and industry best practice to identify improvements is planned in the near future. Recruitment for internal lawyer is progressing.	31-Mar-2013
<b>Continue to support external change</b>	Contribute as appropriate to any Scottish Government consultation on matters affecting the Scottish LGPS. Contribute to the pensions industry in general.	Participating in Scotland's tri-partite group discussing the Pensions Bill and scheme reform.	31-Mar-2013

# Appendix 1

Priority Outcomes	Action	Progress	Due Date
<b>Monitor the employer covenant to the Fund</b>	Monitor the risk profile of the participating employers.	Review of employer covenant to the Fund has been undertaken as part of the Actuarial Valuation 2011 and monitoring of risk exposure is ongoing. Guarantees for new admitted bodies being pursued with suitable bodies.	31-Mar-2013
<b>Ensure Fund's continuing ability to meet its liabilities</b>	Strengthen cash-flow forecasting by the use of detailed financial modelling techniques, recognising the context of employer workforce strategies.	Cash flow projections have been considered during Investment Strategy Review. Initial liaison undertaken with Hymans Robertson to develop model for future use.	31-Mar-2013
<b>Secure procurement efficiencies</b>	Contribute to collaborate procurement initiatives, including exploring the potential for joint Framework Agreements for a range of services.	Collaboration between pension funds is ongoing. Individual Scottish funds have agreed to give access to new contracts to other Scottish funds. Joint project on member tracing provider.	31-Mar-2013
<b>Strengthen governance</b>	Review the governance and audit scrutiny arrangements of the Fund, taking cognisance of best practice (e.g. independent observer) and regulatory guidance.	Independent Professional Observer underway. Update on Governance Review being reported to committee in December 2012	31-Mar-2013
<b>Provide for ongoing contribution stability</b>	Liaise with the Fund's actuary to propose a contribution stability mechanism beyond the actuarial valuation 2011.	Work will be scheduled for 2013 to meet target date of March 2014 ahead of 2014 actuarial valuation.	31-Mar-2013



## LPF Performance Indicators

### 1. Provide Excellent Customer Care

Code	Indicator	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Current Target
		Value	Value	Value	Value	
LPF:CF1	Customer satisfaction with communication (12 month rolling period)	90.58%	85%			85%
LPF:CF2	Annual Benefit Forecast - Active	99.5%				95%
LPF:CF3	Improve service to members: maintain CSE	Current CSE Assessment will take place in January 2013				Yes
LPF:CF4	Customer satisfaction with communication (12 month rolling period)	83.48%	85%			85%

### 2. To Support and Develop Staff

Code	Indicator	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Current Target
		Value	Value	Value	Value	
LPF:SF1	Monthly Level of Sickness Absence	4.58%	6.82%			4%
LPF:SF2	To improve staff satisfaction (annual survey)	53%				55%
LPF:SF3	Improve staff development - annual training requirement > 15hrs training per member of staff	6.65	2.9			3.75

## Appendix 2

### 3. To continue to be a top performing pension fund

Code	Indicator	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Current Target
		Value	Value	Value	Value	
LPF:PF1	LPF - 3 year annualised investment return compared with benchmark	-0.12%	0.16%			1%
LPF:PF2	Pension Admin Cost per member	£23.86	£24.41			£24.01
LPF:PF3	Pension Admin Workflow - Key Tasks	95.19%	93.4%			90%
LPF:PF4	Employer contribution paid within 19 days of month end	99.39%	99.73%			95%
LPF:PF5a	Data quality: new data post June 2010	Not measured for Quarters				100%
LPF:PF5b	Data quality: old data pre June 2010	Not measured for Quarters				96%
LPF:PF5c	Data quality: conditional and numerical data	Not measured for Quarters				98%