

Pensions Committee

10am, Wednesday, 13 March 2013

Service Plan 2012-2015 - Monitoring Update

Item number	5.3
Report number	
Wards	All

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Coalition pledges

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Single Outcome Agreement

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Executive summary

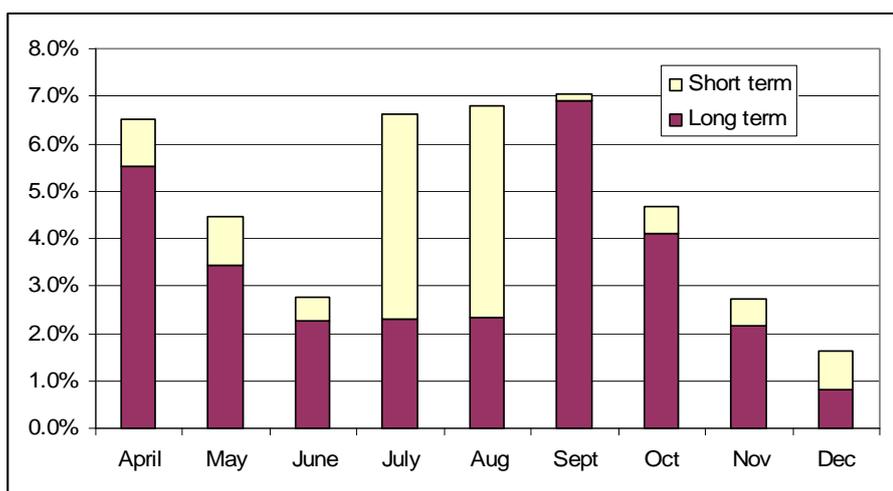
Service Plan 2012-2015 - Monitoring Update

Summary

Progress against the objectives agreed in the 2012-15 Service Plan is detailed in Appendix 1. Overall, objectives are being achieved. Progress since the update to Committee in December 2012 includes:

- The Fund was re-accredited for the Customer Service Excellence Award. The service maintained its best practice for the use of customer journey mapping techniques and gained another best practice for making consultation integral to its service. The assessor would like us to work harder at developing more accountable partnerships to help us encourage our partners to 'step up' to the challenge of excellent customer service too.
- Pensions Web, a new online system for our employers, was launched and roll out of the system has commenced.
- The Fund is engaging in discussions on the implications on the Public Service Pensions Bill in Scotland.

Appendix 2 shows the targeted Performance Indicators for the 2012-2015 Service Plan and actual performance against these targets. As requested by Committee, staff sickness split between short and long-term sickness is provided in the chart below. It shows that in the majority of months where sickness rate has exceeded target (4%), this was largely due to long-term sickness.



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

	Approved Budget	Actual Outturn	Actual Variance
Category	£'000	£'000	£'000
Employees	1,914	1,846	(68)
Transport	27	26	(1)
Supplies & Services	864	782	(82)
Investment Managers Fees	10,284	9,100	(1,184)
Other Third Party Payments	349	464	115
Depreciation	44	44	-
Direct Expenditure	13,482	12,263	(1,219)
Allocated Central Support Costs	702	688	(14)
Income	(884)	(834)	50
Total Cost to the Funds	13,300	12,116	(1,184)

The key variances against budget are:-

- Employees - £68k underspend. This is mainly due to unfilled posts across the division partly offset by temporary agency costs and early retirement costs;
- Third Party Payments (£115k overspend) and Supplies & Services (£82k underspend) – These are due to the take up of the accounting service from the Fund's custodian offset by savings from the termination of associated ICT contracts;
- Investment management fees – £1,184k underspend. This is primarily due to changes in the fund management arrangements including the termination of active currency overlay contracts.

Annual performance of the Fund has been reported to the Committee via the annual report and accounts. However, this reporting only covers a sub-set of the performance indicators and therefore it is proposed that a more comprehensive report on the annual performance of the Fund is considered by Committee in September each year.

Recommendations

It is recommended that Pensions Committee notes the progress made against the service plan and agrees that a report on the annual performance of the Fund is considered by Committee in September each year.

Measures of success

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

Financial impact

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

Equalities impact

There are no adverse equalities impacts arising from this report.

Sustainability impact

There are no adverse sustainability impacts arising from this report.

Consultation and engagement

The Consultative Panel for the Fund, comprising employer and member representatives, is integral to its governance. Customer insight and consultation informed the priorities of the service plan.

Background reading / external references

Not applicable.

Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices Appendix 1 - Lothian Pension Fund Service Plan 2012-2013 Update
Appendix 2 - Lothian Pension Fund Performance Indicators to December 2012

Lothian Pension Fund Service Plan 2012-2013

Updated to : 31 January 2012

Appendix 1

1. Provide Excellent Customer Care

Priority Outcomes	Action	Progress	Due Date
Improve insight into our customers' needs and experiences	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.	A recent mystery shopper exercise testing our e-mail response to general customer queries confirmed that staff were using the newly introduced scripts and this has resulted in the customer being provided with clear and quick e-mail response. A recent customer journey mapping exercise demonstrated that needs are now being met following improvement made to the transfer in process. We also engaged with the recently bereaved to complete a Customer Journey Map. As a result we have reviewed and amended our communications. Results of surveys are published on our website every three months.	31-Mar-2013
Improve communication with members and employers	Advising of any changes, including consultations on proposals, to the benefit structure and contributions of the Scottish LGPS.	Recent news of Pensions Bill and changes to the LGPS in England and Wales have been 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 have 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. This is being roll out to employers initially to the larger employers.	
	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.	
	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 2012.	
Improve access to personal information through website or via telephone	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	Annual Benefit Statements have been issued electronically and in paper format for those who submitted a request.	

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Priority Outcomes	Action	Progress	Due Date
	continuation of paper format.		
Improve Service delivery	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. Employer on-line system is being rolled out to improve communications and performance.	31-Mar-2013
Maintain Customer Service Excellence accreditation	Ensure that we continue to improve our services by directly involving our customers.	The Customer Service Excellence assessment held in January 2013 was successful. The service maintained its best practice for the use of customer journey mapping techniques and gained another best practice for making consultation integral to its service, for example the changes made to our governance as a result of consultation.	31-Mar-2013
Tailor service to customer needs - employers	Tailor service to customer needs - employers	Options for bespoke investment strategy are now available to employers	31-Mar-2013
Tailor service to customer needs - members	Tailor service to customer needs - members	Aligns with CSE above.	31-Mar-2013
Ensure LPF's compliance with the statutory obligations of auto-enrolment provisions	Revise LPF documentation and procedures to take account of the new statutory auto-enrolment provisions	Numerous email briefings have been issued and meetings have been held with the largest employers regarding the introduction of auto-enrolment. The Fund's opt out process has been amended	31-Mar-2013
Deliver an excellent service to Falkirk Council	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 has been undertaken and officers are attending quarterly meetings of the Falkirk Pensions Committee . Regular meetings with their Investment Managers being held.	31-Mar-2013

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Appendix 1

2. To Support and Develop Staff

Priority Outcomes	Action	Progress	Due Date
Empowering and motivating staff to provide excellent customer service and improve performance	Carry out Staff Survey improvement plans and involve staff in improvement projects	Business Process Review in pensions administration is almost complete. Staff Survey improvement plan has been updated following 2012 survey. Focus is on communication, trust with line managers, empowering staff to make improvements and personal development. Remit of Staff Forum has been clarified to improve its effectiveness – it will focus on communications. Teams of pensions administration staff recently reorganised to improve accountability and consistency.	31-Mar-2013
Enhance staff feedback systems	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
Develop staff	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. Investment accounting processes have been revised to reflect the provision of core accounting records by the custodian.	
Ensure clear communications of goals and expectations	Provide clear objectives at annual appraisal meetings and review progress, in accordance with the Council's staff management policies and procedures.	PRDs and six-monthly update meetings 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
Support staff through change programmes	Ensure regular communication of change projects such as departmental structure changes, shared services, ICT developments, scheme and governance reviews.	Monthly email briefing and verbal update are provided to staff by the Services Manager.	31-Mar-2013
Ensure staff are informed of LPF's progress, performance and achievements	Provide regular DMT update sessions on key performance elements and topics.	Monthly performance and quarterly service plan updates are provided to all staff. Updates are also provided to staff at meetings.	31-Mar-2013

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Appendix 1

3. To continue to be a top performing pension fund

Priority Outcomes	Action	Progress	Due Date
Provide an efficient, accurate and effective service	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).	Improvements are being explored in the pensions administration BPR currently taking place and through research projects undertaken by trainee pension administrators e.g. sending member communications via member self service, encouraging greater use of our website and e-mails or other available technology. Employer on-line service will also improve efficiency.	
	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.	
	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).	Arrangements to transfer three payroll staff are being finalised in accordance with agreed HR protocol. System contract is in place. The 8 month implementation programme scheduled started in January 2013.	
Continue the programme of business process reviews	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.	31-Mar-2013
Annual Report – attain an unqualified audit opinion	Improve quality of accounting records, including ensuring consistency in validation of investment valuations and data reconciliations (e.g. contributions receivable).	Unqualified audit opinion 2011/12 – achieved.	30-Sep-2012
Undertake strategic investment review and further utilise investment management skills	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 and the internal investment team.	31-Mar-2013
Risk is managed effectively	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. An internal pensions lawyer is expected to join the Fund in March.	31-Mar-2013
Continue to support external change	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. Engaging with stakeholders of the Fund who are involved in discussion on scheme reform.	31-Mar-2013

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Priority Outcomes	Action	Progress	Due Date
Monitor the employer covenant to the Fund	Monitor the risk profile of the participating employers.	Ongoing engaging with employers where there are structural changes affecting the Fund. Further review of employer covenant is underway.	31-Mar-2013
Ensure Fund's continuing ability to meet its liabilities	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. Ongoing considerations of further development in this area.	31-Mar-2013
Secure procurement efficiencies	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
Strengthen governance	Review the governance and audit scrutiny arrangements of the Fund, taking cognisance of best practice (e.g. independent observer) and regulatory guidance.	Governance review is complete. Interviews for an Independent Professional Observer scheduled for February 2013.	31-Mar-2013
Provide for ongoing contribution stability	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-2014

Lothian Pension Fund Performance Indicators

1. Provide Excellent Customer Care

Code	Indicator	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Current Target
LPF:CF1	Customer satisfaction with communication (12 month rolling period)	89.9%	90.9%	89.9%		85%
LPF:CF2	Annual Benefit Forecast for Active members issued by September	Active and deferred members for LGPS all complete. Firefighter actives also complete with deferred members ongoing. To September 2012 percentage achieved was 99.50%				95%
LPF:CF3	Improve service to members: maintain CSE	January 2013 CSE assessment was successful, we maintained best practice mapping and improving customer journeys and received a new best practice for making consultation integral to our service.				Yes
LPF:CF4	Overall customer satisfaction	83.48%	85.00%	86.00%		85%

2. To Support and Develop Staff

Code	Indicator	Q1 2012/13	Q2 2012/13	Q3 2012/13	Q4 2012/13	Current Target
LPF:SF1	Monthly Level of Sickness Absence	4.58%	6.82%	3.02%		4%
LPF:SF2	To improve staff satisfaction (annual survey)	53%				60%
LPF:SF3	Improve staff development - annual training requirement > 15hrs training per member of staff	7.40	3.25	5.72		3.75

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
LPF:PF1	LPF - 3 year annualised investment return compared with benchmark	-0.12%	0.20%	0.50%		1%
LPF:PF2	Pension Admin Cost per member	£23.86	£24.41	£24.21		£24.01
LPF:PF3	Pension Admin Workflow - Key Tasks	95.19%	93.40%	93.15%		90%
LPF:PF4	Employer contribution paid within 19 days of month end	99.1%	97.4%	97.6%		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%