



**THE AVON PENSION FUND**

**SERVICE PLAN**

**2011 - 2014**

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## CONTENTS OF SERVICE PLAN

### SECTIONS

	Page
1. SERVICE SCOPE & OBJECTIVES	3
2. KEY ACTIVITIES AND PERFORMANCE	3-4
3. REVIEW OF 2010/11	4-6
4. PROGRESS AGAINST 2010-13 PLAN AND NEW TARGETS FOR 2011- 2014	6-7
5. THE FUTURE	7-9
6. KEY MEDIUM-TERM CHANGES (PROPOSALS FOR DEVELOPMENT IN 2011/12)	10
7. IMPROVING CUSTOMER & STAKEHOLDER SATISFACTION	10-11
8. BUDGET FOR 2011- 2014	11-12

### APPENDICES

***APPENDIX 1: SCOPE***

***APPENDIX 2: 2010 PERFORMANCE INDICATORS (SCORECARD)***

***APPENDIX 2A: PERFORMANCE FOR THE CALENDAR YEAR 2010***

***APPENDIX 3: PROGRESS AGAINST 2010/13 PLAN / NEW TARGETS FOR 2011-14***

***APPENDIX 4: 2011 – 2014 BUDGET***

# **1 SERVICE SCOPE AND OBJECTIVES**

## **(a) SCOPE OF THE SERVICE**

**The Avon Pension Fund is responsible for:**

- Administration of **Local Government Pensions Scheme** (LGPS) benefits and pensions to over 80,000 members, pensioners and deferred members of over 110 constituent bodies within the former Avon area.
- Administration of the **Fire-fighters** Pension Scheme (FFS) for Fire-fighter members in the Avon Fire Brigade. This is undertaken under fully funded SLA arrangements.
- Payment on behalf of the **Teachers** Pension Scheme of pensions arising from the award of Compensatory Added Years before 1 April 1996. This is undertaken under fully funded SLA arrangements.
- Investment of contributions from the members and member bodies to generate asset growth and additional income for the payment of fund liabilities

Statistical information for each of the last 3 Scheme years is included as **Appendix 1**. In three years since March 2008 the total LGPS membership has grown by 4,706 (6.2%). In just under 3 years since 31 March 2008 the number of new employers at February 2011 has increased by 40% from 79 to 111, mainly as a result of existing participating employers deciding to outsource services. This trend is expected to continue over the coming years and building relationships with existing and new employers has become a priority.

## **(b) SERVICE OBJECTIVES**

- To provide an efficient effective and high quality administration service to employers of Avon Pension Fund, Avon Fire Brigade and Teachers on Compensatory Added Years. The new Pensions Administration Strategy coming into effect from April 2011 will improve the service to LGPS members of the Avon Pension Fund through a closer working relationship with scheme employers.
- To provide information advice and non-financial assistance to members of the Fund and non-members alike to enable them to make informed choices and plan for retirement
- To improve the level of knowledge of pensions issues as it affects stakeholders in an area of increasing importance
- To enable the Fund's employing bodies to make their views known to the administering authorities and Government Bodies on all issues and proposals concerned with administration and investment
- To manage the Fund's investments on a transparent, risk managed basis to maximise the Fund's assets and minimise employer contribution rates.

# **2 KEY ACTIVITIES AND PERFORMANCE**

**Appendix 2** provides details of performance indicators for the 2010 calendar year from a number of different perspectives. .

The benefits teams' work has become more time consuming as the number of employers has increased dramatically by 40% from 79 to 111 since March 2008. Also

the diversity of the new employers has added to administrative complexity. A further factor has been the increase in the number of employers who have outsourced their payroll arrangements requiring pensions staff to liaise with and train their staff.

Following the contraction in public sector spending many employers are being forced to downsize and there has been an increase in requests for estimates for redundancies and visits by benefits staff to counsel affected members. This expected reduction in staff over the next 3 years, particularly by the unitary councils which account for 85% of the active membership, will result in an increased workload in processing leavers. Early indications from unitaries are that *additional* redundancies in 2011/12 will be in excess of 500 and further redundancies are expected in the other 2 years of this Service Plan.

**Appendix 2A** shows the performance for the calendar year. Performance was ahead of target in most areas with 88% of retirements within the target of 15 days and 96% of new joiners processed within the set 10 day target. However transfers in and out were severely delayed by the unavailability of calculation factors from the Government Actuaries Department following the change in the indexation of future benefits from RPI to CPI. All the delayed cases have now been processed.

There have been **notable successes** in the year improving service to our customers:

1. AXIS to Altair migration to updated software caused no major disruption to service and is being developed now to enhance services
2. The change from Gandlake to Heywood as the provider for Member Self Service will provide greater integration
3. Membership Data Cleansing in readiness for the triennial Actuarial Valuation
4. New Pensions Administration Strategy has been developed after consultation with employers for rollout from April 2011

### **3 REVIEW OF 2010-11**

#### **(a) BENEFITS ADMINISTRATION**

##### **(1) Data Cleanse**

For the 2010 triennial valuation a thorough data cleanse of member records took place. Significant additional resource was put into resolving data queries and clearing errors. The cleansing was completed to allow submission of valuation data to the Scheme's actuary on time in mid July 2010. This exercise identified a significant number of member records which needed amendment due mainly to not being advised by employers of members leaving and joining at the time. The net result was that the active membership reduced by 764 to 34,800 but the deferred membership rose by 1955 to 24,544 - an increase of 8.65%.

## **(2) Upgrading of pensions software/switchover of member & employer on-line self service and introduction of Globalscape / delivery of newsletters electronically / Annual Benefit Statement redesign**

### **(i) Member and Employer On-Line Self Service**

Following the decision in 2009 to move from **Gandlake to Heywood** for provision of member and employer electronic access the change was effected in October 2010 seamlessly for members. Employer Access was removed at the same time and the new facility for employer access will be rolled out by April 2011. The previous secure portal which was provided via Gandlake to allow employers to send information to APF was replaced by **Globalscape**, a product purchased by B&NES and available at lower cost than Gandlake. The Heywood replacement product includes useful facilities not included in the Gandlake facility. The switchover for member self service required individual re-registration by nearly 2,000 members.

### **(ii) Delivery of Newsletter electronically /Redesign of Annual Benefit Statements**

For the first time the Avon Pension Fund Newsletter was **successfully delivered electronically** via in-house e-mail to the staff at UWE on a pilot basis. It is proposed to extend this to other employers in future so that significant cost savings can be achieved. Annual Benefit Statements ("ABS") were redesigned this year to a higher standard and to include additional information. The production of the new ABS on Altair proved problematical and delays to sending the 2010 statements were experienced. However this delay allowed the statements and the Newsletter to be despatched *together* saving significant postage costs. It is proposed that in future years the timing of the Newsletter will coincide with production of ABS in the autumn and there will be ongoing savings on postage costs.

## **(3) New Pensions Administration Strategy**

2008 LGPS Regulations enabled Administering Authorities to introduce a **Pensions Administration Strategy** to improve overall performance and particularly the relationship between the administering authority and scheme employers to provide a better service to members. The strategy includes the facility for the Fund to pass on additional costs to continually underperforming employers to reflect the disproportionate administration work needed to be done by the Fund. The Strategy, having been consulted on with Employers prior to its approval by the Avon Pension Fund Committee, comes into effect on 1 April 2011. It is hoped that it will give a number of major developments renewed emphasis.

## **(4) Continuing increase in number of participating employers**

As expected, there has also been continuing significant growth in the number of participating employers due mainly to existing employers outsourcing their in-house services. This increase has made the management of employer relationships more complex and time consuming. The new Employer Relationship Team set up in 2009 has focused on working more closely with these employers to ensure efficiency of delivery of service to the Fund.

## **(b) INVESTMENTS**

### **(1) Investments strategy**

The focus of work during 2010-11 was the implementation of decisions made by the Committee following the review of the investment strategy in 2009/10. An unconstrained

global equity mandate was tendered and an agent appointed to monitor the voting activity of the investment managers. As the year ended, a tender to appoint a currency hedging manager was underway.

The Investment Panel focussed on monitoring the investment and operational performance of the managers and over the year met all the managers. In addition they formally reviewed the performance of the hedge fund managers as part of the Committee’s review of the hedge fund portfolio in 1Q11.

**(2) Actuarial Valuation**

The 2010 actuarial valuation was carried out against the deteriorating environment for public sector finances. As a result the objective of the valuation was to achieve stability of employers’ contribution payments. At the time of preparing the service plan any proposals arising from the review of public sector pensions by the Hutton Commission are unknown. However, it is expected that during 2011-13 the structure of the LGPS scheme will be altered and any changes will be implemented as part of the 2013 valuation (with new contributions effective from 1 April 2014).

**(c) GOVERNANCE**

With the new governance structure in place since June 2009, the Committee completed a self assessment exercise of their decision-making process 3Q10. This identified a few areas for improvement and an action plan will be agreed by the Committee. One area identified is the need for additional training on investment issues to supplement LGPC training and seminars/conferences and Committee workshops. The CIPFA Pensions Panel has issued a “Knowledge and Skills Framework” for pension fund elected members and officers. Any training programme will be based on this framework.

**4 PROGRESS IN 2010-11 WITH CURRENT SERVICE PLAN AND MEDIUM TERM TARGETS FOR 2011-14**

The 2011-14 Service Plan contains a number of planned actions predominantly focused on continuing improvements to the benefits administration through the use of technology, staff development and communications improvements. **Appendix 3** details progress in 2010/11 with current Service Plan and shows the medium-term targets for the 2011-14 Service Plan including current year targets carried forward if not completed.

Of the 15 planned ongoing or new actions for 2010/11, 86% were completed or are on target:

<b><u>Summary of Actions</u></b>	<b>Green</b>	<b>Amber</b>	<b>Red*</b>
<b>Administration</b>	<b>7</b>	<b>1</b>	<b>0</b>
<i>% of planned target developments</i>	<b>46%</b>	<b>7%</b>	<b>0%</b>
<b>Investment</b>	<b>6</b>	<b>1</b>	<b>0</b>
<i>% of planned target developments</i>	<b>40%</b>	<b>7%</b>	<b>0%</b>
<b>Total</b>	<b>13</b>	<b>2</b>	<b>0</b>
<i>% of planned target developments (10)</i>	<b>86%</b>	<b>14%</b>	<b>0%</b>

**Key:** Green = completed or progressing to schedule  
Amber = on going but need to clear a problem before proceeding  
Red = No progress / on hold/not being taken forward or scheduled for later period.

#### **Amber Actions:**

1. EDI is now included in the new Pensions Administration Strategy as a requirement for compliance by 2012.
2. Review management of financial and investment risks – this will be delayed until the CLG advise as to the potential impact of Hutton Commission recommendations on the LGPS, as this may affect the funding level, cashflow forecasts or appropriateness of the investment strategy.

## **5 THE FUTURE**

### **(a) BENEFITS ADMINISTRATION**

**A good service?** Customer satisfaction continues at high levels with no complaints in 2010 from members. The implementation of the new software system, creation of the new employers' relationship team, development of the Administration Strategy and member and employer self service has established firm foundations for maintaining and improving service delivery. Significant resource will be applied in 2011 to the training and development of Fund and Employer staff. An on-line questionnaire has been sent to employers to identify training requirements and, using this gap analysis, the Fund will run courses during 2011 to bring employers staff "up to speed."

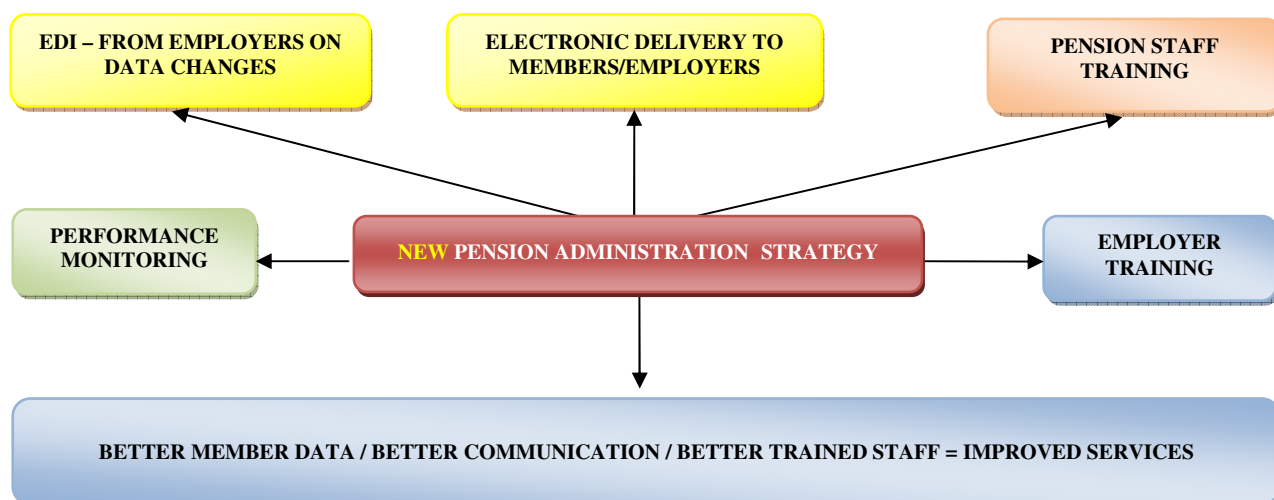
**Value for money?** The Fund administration costs continue to remain very competitive. The unit costs of £2.73 per member for paying pensions remains one of the lowest in the UK. The overall costs for the Fund at £18.33 per member compares very favourably with the comparator group average of £23.49 per member. In comparison with 4 (out of a possible 6) other South West Region funds who are members of the Club, Avon Pension Fund's staff costs at £5.90 per member are the cheapest and compare well against the average of £8.34 and the Fund's £18 per member cost is below the average of £20 for these South West Funds.

### **Budget Savings**

These continue to be a driver in the Public Sector where all local authorities are under even greater pressure to make budget savings. The Fund has identified a number of areas for reducing its costs without reducing the service it gives to its stakeholders. Significant savings and improvements in the speed and effectiveness of service delivery can be made by embracing technological advances and this will be a high priority in 2011 through the medium of the new Administration Strategy. Over the three years of this Service Plan the savings from terminating Gandlake will finance the set up and ongoing costs of Altair Member Self Service and Employer Access and thereafter will generate annual savings of around £30,000 from 2013/14 onwards.

**New Pensions Administration Strategy** – Recent legislation encouraged all local authority pension funds to put in place an Administration Strategy Policy Document. Avon Pension Fund has done this. The new process will work through individual Partnership Agreements (SLA) with employers incorporating mutual targets for key performance areas.

This new Strategy embraces a wide range of existing strategies such as communication, technological enhancement/development (e.g. Electronic Data Interface (“EDI”)) and employer staff training. The following chart captures each of the integral actions which should result in better member and an improved service to members:



Effective from April 2011, performance monitoring and regular review meetings will be integral to a successful outcome. Quarterly summary reports on employers’ performance will be brought to Committee for information.

The focus of this Administration Strategy will be to develop greater partnership working between the Fund and the employing bodies. However, the strategy will permit the Fund to pass through costs to employers that arise due to persistent failure to provide information within the framework set out in the SLA.

**Expected changes to benefit structure post Lord Hutton’s Review of Public Sector pensions** - The government continues to consider measures to control the costs of LGPS and to cap employers’ ongoing costs including the *Cost Sharing mechanism* proposed from 2014.

Lord Hutton’s 2010 review which is likely to produce potentially the most radical changes to public sector pensions for many years has identified a number of potential ways forward to achieve this - later Normal Retirement Ages, increased member contributions and a dilution of future benefit accrual are some of the proposals put forward. Specific recommendations on the direction of travel are expected in March 2011 in time for the government’s spring budget.

Changes to Normal Retirement Ages and an increase to member contributions could be introduced quite quickly; however, fundamental changes to the LGPS benefit structure would require primary legislation and would take some years to achieve. Therefore, although these changes are unlikely to be brought in for a few years, the Service needs be prepared for the changes which may introduce an additional scheme at worst and at best another tier/type of benefits to administer. This will bring additional complexity which will add to the administration burden, require more resource and add to ongoing costs

An additional factor is that the government is introducing Personal Accounts through *NEST* from 2014 to encourage everyone to save for a pension. This may result in a reduction in membership of the Fund as some employers may choose to offer this to

existing members of the Fund and new employees, particularly lower paid / part time staff to reduce their costs.

If there are future changes to the Scheme structure, there will be a need for concise and effective communication with employers, payroll providers and members, prior to any changes being introduced. Also the administration would become significantly more complex if there are two separate schemes / benefit structures going forward and this would require additional resource. As the impact of any changes and their implementation dates are unknown at present, no allowance has been made in the Service Plan budget for additional resource. As soon as definitive changes are known the position will be reviewed and adequate allowance to fund the change will be made in future budgets.

### **(b) INVESTMENTS**

The main objective of the investment strategy is to safeguard the value of the Fund's assets, generate the investment return required to meet future liabilities and minimise volatility of contribution rates as much as possible. As the Fund can not determine the direction of markets, investment risk can be minimised through ensuring the Fund adopts an appropriate, well diversified, investment strategy and by closely monitoring the managers' performance.

**Investment policy** – In 2010-11 the Fund implemented changes to the investment structure that were a result of the 2009-10 review of the strategic policy. The Committee is reviewing the hedge fund portfolio and will review the Fund's approach to Social, Ethical and Environmental investing. Following the triennial valuation, and the initial outcome of the Hutton Commission, further work may be undertaken in 2012 to review whether financial and investment risks can be managed differently in order to reduce volatility in the contribution rate over the longer term.

**Scheme employer risks** - The Fund is aware of the impact the reduction (and changes) in public sector funding may have on all scheme employers. In particular some of the third sector organisations may be particularly vulnerable to reductions in funding and other sectors, such as education, are seeing significant structural changes in terms of the introduction of academies for example. Therefore, the Fund's focus is to continuously monitor the financial and operational risks arising from scheme employers in order to protect the Fund to the extent possible under the regulations. Operational, legal and actuarial risks arise from outsourcings or the change in an organisation's legal status or funding stream and all these risks need to be managed appropriately. In order to achieve this, the outsourcing process and procedures guide has been revised to clearly set out scheme employers and the Fund's obligations during such exercises. The Fund will be reviewing its investment staffing structure in view of the workload issues identified during 2011/12 and will bring forward proposals at a later date.

### **(c) GOVERNANCE**

**Member & Officer Training** – the Fund will develop its training policy for members and the investment/finance officers during 2011-12, which will also reflect the need for training of elected members appointed to the Committee following the May 2011 elections. The training programme will also reflect the planned work programme of the Committee.

## **6 KEY MEDIUM-TERM CHANGES (PROPOSALS FOR DEVELOPMENT IN 2011-12)**

These are listed in **Appendix 3** and include those targets from the 2010-13 Service Plan which are ongoing or were not completed by 31.03.2010.

The **key drivers** for Pensions were identified last year and have now been **updated** to reflect the work completed since then and new challenges that have arisen. They are:

- ❖ **Efficiency savings** are expected of the Pensions Section over the 3 year period in line with all other local authority departments
- ❖ **Improvement** to how we deliver the services needed to make these savings and to be responsive to changes within the industry whilst maintaining competitive performance
- ❖ A **changing employer landscape** including a reduction in employers' resources with associated staffing implications; extension of private and 3<sup>rd</sup> party service provision; regulatory enablement resulting in the creation of academies
- ❖ **New Pensions Administration Strategy** will provide a robust operational framework and a blueprint for service efficiency including enhancement to the service by greater use of modern technologies in streamlining processes by the use of electronic data interfaces and electronic delivery of information to members
- ❖ **Higher than normal workload** over the next 2-3 years as employers shed staff in an enforced downsizing exercise.
- ❖ Changes to LGPS benefit structure following recommendations in the **Hutton** Report are expected in the medium to long term and the Fund needs to be prepared for this.
- ❖ To ensure the **Fund's assets are invested to maximum benefit** commensurate with the level of investment risk in order to meet its long term pension liabilities

## **7. IMPROVING CUSTOMER & STAKEHOLDER SATISFACTION**

In accordance with Council Policy and the specific requirement to achieve improvements in a range of stakeholder areas, the Fund has developed a range of ongoing activities and actions to improve customer satisfaction, ensure equality, enhance staff skills and form closer alliances with key stakeholders.

The Plan has already discussed a range of areas aimed at improving overall service to customers and will continue to seek improved performance through its local performance indicators and Committee scrutiny. The Fund continues to take a highly pro-active role in driving issues forward nationally by the Pensions Manager chairing the **South-West** regional funds meeting ("SWAPOG") whose views and suggestions are taken forward by participation in the **National Technical Group** of the Local Government Employers Organisation which meets with representatives of the Department for Communities and Local Government.

The Avon Pension Fund through its Chairmanship of the regular SWAPOG meetings is leading on an investigation into the feasibility of *shared service working* with the other south west regional funds in areas of administration including standardising communication details and training.

## **8 BUDGET FOR 2011-14**

A three-year budget commencing 1 April 2011 is included as **Appendix 4** to the Service Plan. This identifies variations in the budget over this period, including the expected developments shown in this Service Plan.

The budget is split between those areas that relate to the administration of the Fund in terms of providing the administration service to members and employers, and those areas where there is less scope to directly control the costs. The latter areas include Investment Management and Custody costs where the fee structure is agreed by the Fund but the actual costs incurred are dependent upon investment performance and the volume of transactions. They also include governance expenses which are a consequence of the Fund's policy response to regulations and investment strategy.

The budget previously approved in March 2010 as part of the three year budget for expenditure on the administration of the Fund for 2011/12 was £2,183,000. In the proposed budget for 2011/12 this has been reduced to £2,073,000 a saving of £110,000 or 5.03%. The savings have been made by:-

- Reducing expenditure on investment accounting by £14,000 through discontinuing the use of the Open Air system for monitoring investment transactions and income. The collection of income by the custodian will continue to be monitored internally.
- Reducing expenditure on AVC monitoring following a recommendation from the Actuary that AVC investment performance is reviewed every two years. As the AVC investment fund options are currently under review, the next performance review will be in 2012/13 and not 2011/12 as previously expected.
- Reducing Communication costs by reducing the budget for Guides, Leaflets and Web site maintenance. The budget is forecast to be partly restored in 2012/13 to meet expected demand for information on changes in the Regulations following the Hutton review.
- A reduction in Central Administration charges from the level budgeted for 2011/12 in the 2010/11 three year budget as central department's savings are expected to offset the need for an increase in line with inflation.
- The above savings have been partly offset by an increase in the cost of salaries. Although the budget includes a zero per cent pay award for 2011/12 some staff remain entitled to increments in their pay rate.
- The increase in the cost of Information Systems reflects the introduction of the Altair pension software which includes the facility for Member Self Service and Employer Access. Member Self Service was previously provided via Gandlake which has been discontinued. Over the three years of this Service Plan the savings from terminating Gandlake will finance the set up and ongoing costs of Altair Member Self Service and Employer Access and thereafter will generate annual savings of around £30,000 from 2013/14 onwards.

**These savings will be made through greater efficiency and without any reduction in the level of service provided.**

SCOPE OF THE AVON PENSION FUND

As at 31st March	2008	2009	2010
<b><u>Staff Establishment</u></b>			
Investment & accounting	6	6.6	7.8
Benefits administration	<u>33</u>	<u>32.2</u>	<u>31.0</u>
Total staff	<u>39</u>	<u>38.8</u>	<u>38.8</u>
<b><u>Avon Pension Fund</u></b>			
<b>Membership</b>			
▪ Active	36,037	35,264*	34,,800*
▪ Deferred	20,416	22,579	24,544
▪ Pensioners	<u>19,498</u>	<u>20,361</u>	<u>21,313</u>
Total membership	<u>75,951</u>	<u>78,204</u>	<u>80,657</u>
<i>*Fell after data cleansing exercises in 2009 and 2010</i>			
<b><u>No. of Participating Employers</u></b>	79	94	102 <i>(111 at 28/2/11)</i>
<b><u>Employers common contribution rate (% of employees pensionable pay)</u></b>	16.6% (inc. 4.9% for deficit repayment)	16.6% (inc. 4.9% for deficit repayment)	16.6% (inc. 4.9% for deficit repayment)
<b>Fund Assets</b>	£2.18bn	£1.82bn	2.46bn <i>(£2.66bn at 28/2/11)</i>
<b>Funding Level</b>	70%	60%	80%
<b><u>2. Fire -fighters Pension Schemes</u></b>			
<b>Total Membership</b>			
▪ Active	625	743	744
▪ Deferred	49	50	65
▪ Pensioners	<u>680</u>	<u>748</u>	<u>744</u>
<b>Total</b>	<u>1,354</u>	<u>1,541*</u>	<u>1,554*</u>
<i>(*inc New Scheme set up in 2006)</i>			
<b><u>3. Teachers Compensatory Added Years – number of pensions in payment</u></b>			
	2,961	2,919	2,877

<b>PENSIONS SECTION ADMINISTRATION</b>
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INDICATOR	Green Red Amber	Reporting Dept	2009/10 Actual	Target for 2010/11	Actual - 2010	Comment
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**A Customer Perspective**

1a	General Satisfaction with Service - clinic feedback	<b>G</b>	Admin	97%	95%	99%	11 clinics held during period. Excellent member feedback on the service from Pensions Service.	<b>Graph 1</b>
1b	General Satisfaction with Service - retirees feedback	<b>G</b>	Admin	95%	95%	97.90%	Very good from responses from recently retired members	
2	Percentage Compliance with Charter Mark criteria	<b>G</b>	Admin	90%	95%	97%	Chartermark Accreditation obtained as part of B&NES Finance in 2008 - re-assessment is due in 2011	
3	Level of Equalities Standard for Local Government	<b>G</b>	Admin	100%	100%	100%	Level 2 Accreditation yachieved by B&NES Council in 2010. Pensions carried out 2 Equalities Impact Assessment in 2010 and is not required to carry out any further Assessments.	
4a	Service Standards - Processing tasks within internal targets (SLA)							
	Deaths [12 days]	<b>G</b>	Admin	89%	90%	88.40%	72 of 82 tasks were completed within target.	
	Retirements [15 days]	<b>G</b>	Admin	70%	90%	71.74%	1254 of 1748 tasks were completed within target.	
	Leavers (Deferreds) [20 days]	<b>G</b>	Admin	82%	75%	82.00%	2963 of 3614 tasks were completed within target.	
	Refunds [5 days]	<b>G</b>	Admin	62%	60%	82.04%	201 of 245 tasks were completed within target. Target for refunds will be increased to 75% for 2011 onwards	
	Transfer Ins [20 days]	<b>A</b>	Admin	65%	75%	59.42%	347 of 584 tasks were completed within target. Unable to process for several months due to unavailability of transfer factors fro GAD following change in revluation basis from RPI to CPI.	
	Transfer Outs [15 days]	<b>A</b>	Admin	50%	75%	61.41%	226 of 368 tasks were completed within target. nable to process for several months due to unavailability of transfer factors fro GAD following change in revluation basis from RPI to CPI	
	Estimates [10 days]	<b>G</b>	Admin	91%	90%	92.80%	2977 of 3208 tasks were completed within target.	
4b	Service Standards Processing tasks within statutory limits	<b>G</b>	Admin	100%	100%	100%	Should always be 100%	
5	Number of complaints	<b>G</b>	Admin	22	0	0	No complaints received in the period	
6	Pensions paid on time	<b>G</b>	Admin	100%	100%	100%	All paid on time	
7	Statutory Returns sent in on time (SF3/CIPFA)	<b>G</b>	Admin	n/a	100%	100%	Should always be 100%	
8	Number of hits per period on APF website	<b>G</b>	Admin	44743	36000p/a 3000p/q	52024	4335 per calendar month for reporting period	<b>Graph 2</b>
9	Advising members of Reg Changes within 3 months of implementation	<b>G</b>	Admin	100%	100%	100%	Should always be 100%	
10	Issue of Newsletter (Active & Pensioners)	<b>G</b>	Admin	100%	100%	100%	Should always be 100%	
11	Annual Benefit Statements distributed by year end	<b>G</b>	Admin	70%	100%	100%	All sent by year end	

### B People Perspective

1	Health & Safety Compliance	<b>G</b>	All	100%	100%	100%	Should always be 100%	
2	% of staff with Investor in People Award (IIP)	<b>G</b>	All	0%	100%	100%	Obtained re-accreditation of IIP when reassessed in Summer 2010	
3	% of new staff leaving within 3 months of joining	<b>G</b>	All	0%	4%	0%	No leavers in the year	
4	% of staff with up to date Performance Reviews	<b>G</b>	All	97%	100%	n/a	None due in this period	
5	% Sickness Absence							
	a) Short Term	<b>G</b>	All	2.50%	a) 3%	a)1.48%	Ahead of APF target and well ahead of corporate target of 5%	<b>Chart 3</b>
	b) Long Term				b) 3%	b) 0%		
6	% of staff with an up to date training plan	<b>G</b>	All	100%	100%	100%	Each person has a Personal Development Plan Folder. Program of courses (internal & external) in place for 2009/10. Training needs identified at performance reviews.	

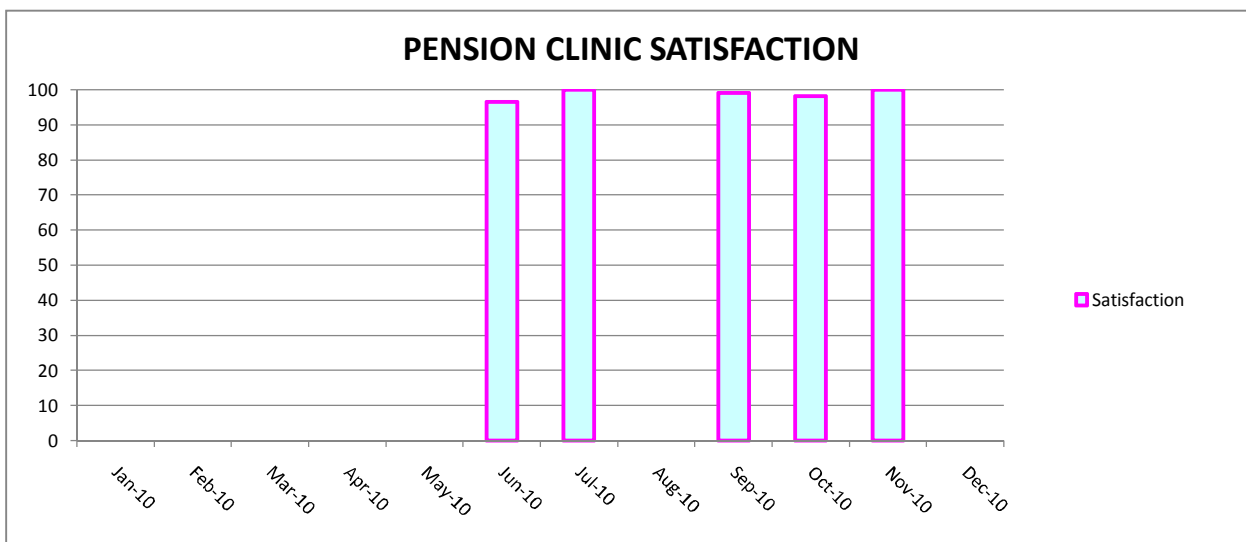
### C Process Perspective

1	a) 5 Services actually delivered & b) electronically & services capable of delivery to members	<b>A</b>	Admin	a) 0.3% b) 100%	a) 4% b) 100%	a) 0.3% b) 100%	a)0.03% represents the members who agreed receive the Newsletter electronically. Gandlake initiative means that over 1500 members are happy to receive info electronically b) Section able to deliver all targeted services electronically	
2	% Telephone answered within 20 seconds	<b>G</b>	Admin	99%	98%	98.97%	34948 calls, 34588 answered within 20 seconds	<b>Graph 4</b>
3	% Complaints dealt with within Corporate Standards	<b>G</b>	Admin	100%	100%	100%	Should never be less than 100%	
4	Letters answered within corporate standard	<b>G</b>	Admin	95%	95%	100%	Ahead of target	
5	Maintain work in progress/outstanding at <b>below 10%</b>	<b>G</b>	Admin	10.59%	10%	5.65%	18179 Created, 17152 cleared ( 94.35.% leaving 5.65% of workload outstanding) Ahead of target	<b>Graphs 5 &amp; 6 &amp; 7)</b>
6	Collection of Pension Contributions:- a) % Received late b) Total Value of late contributions (% of total employer contributions paid to the Fund in the period)	<b>G</b>	Accounts	a) 6% b) 0.05%	a) 0% b) 0%	a) 2.4% b) 0.05%	29 instances of late payment occurred in the period of which only 6 were repeated offenders Average delay of late payers 6 days. However 2 employers were over 20 days on one occasion due to exceptional circumstances. Removing these reduces the average to 4 days <b>Employers are reminded regularly</b> of their legal obligations to pay on time and the possibility (under the 2007 Admin Regs) of billing them for extra charges if unnecessary additional work is created for APF.	
7	Year End update procedures (conts & salaries received by 31/08/2010)	<b>G</b>	Admin	81%	100%	100%	All Pen Conts and Pen Rems now received however B&NES were very late in submitting theirs and the first return was inaccurate.	
8	No. of customer errors (due to incomplete data)	<b>G</b>	Admin	2%	3%	2%	Acceptable error level	

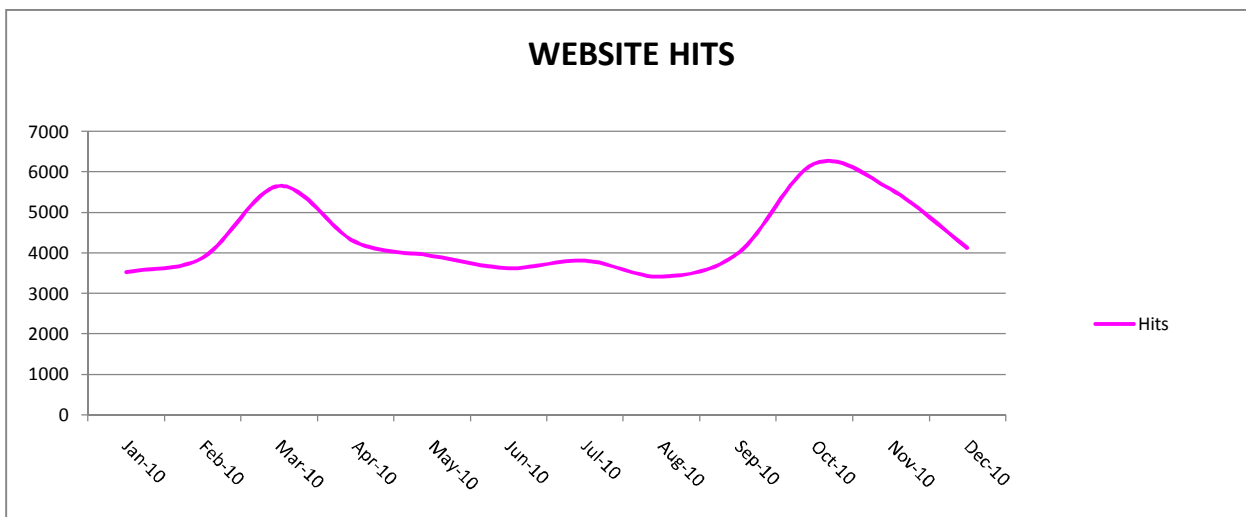
### D Resource Perspective

1	% Supplier Invoices paid within 30 day or mutually agreed terms	<b>G</b>	Admin	91%	94%	93.82%	Business Financial Services (inc Pensions) figure is marginally below target
2	Temp Staff levels (% of workforce)	<b>G</b>	All	0.40%	3%	3.52%	Slightly over target - due to temporary staff from June to September 2010 - reduced to 2.7% in February 2011
3	% of IT plan achieved against target	<b>A</b>	Tech & Dev	24%	100% (25% p/q)	20%	EDI progressing slow. However, the new Admin Strategy requires all employers to provide information electronically by 2012.
4	% of Training Plan achieved against target	<b>G</b>	Tech & Dev	100%	100%	100%	Staff training requirements for all staff identified from 2010 annual performance reviews. An extensive programme of courses (internal & external) are being put in place for 2011 to meet these needs.

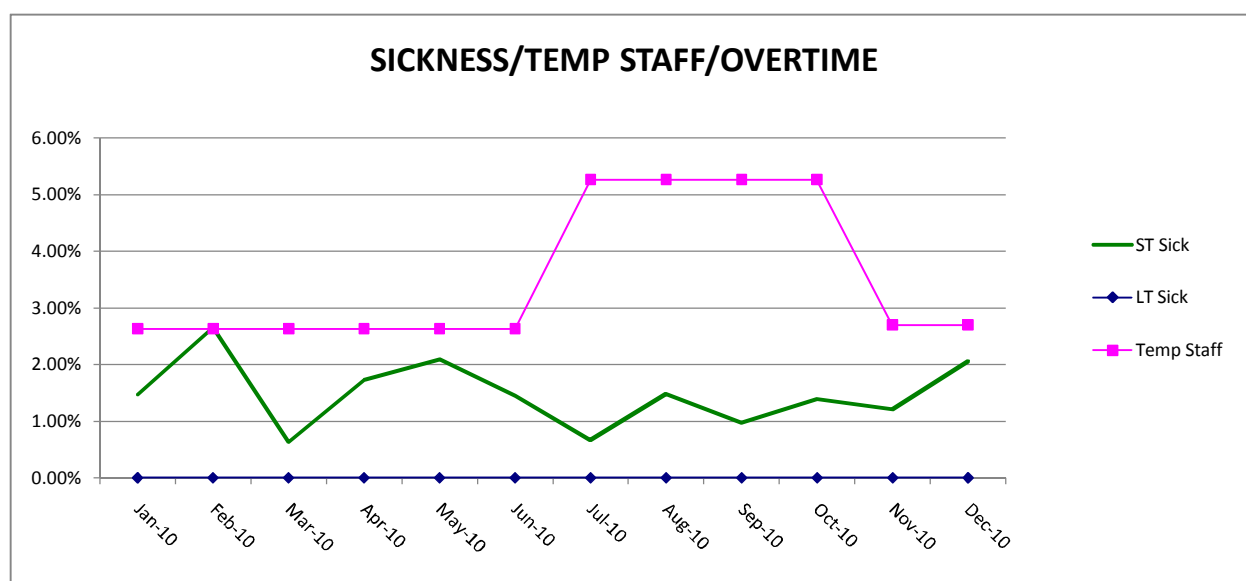
**1 APPENDIX 3B to Budget Monitoring Report at at 31st October 2010: selected items in GRAPH format**



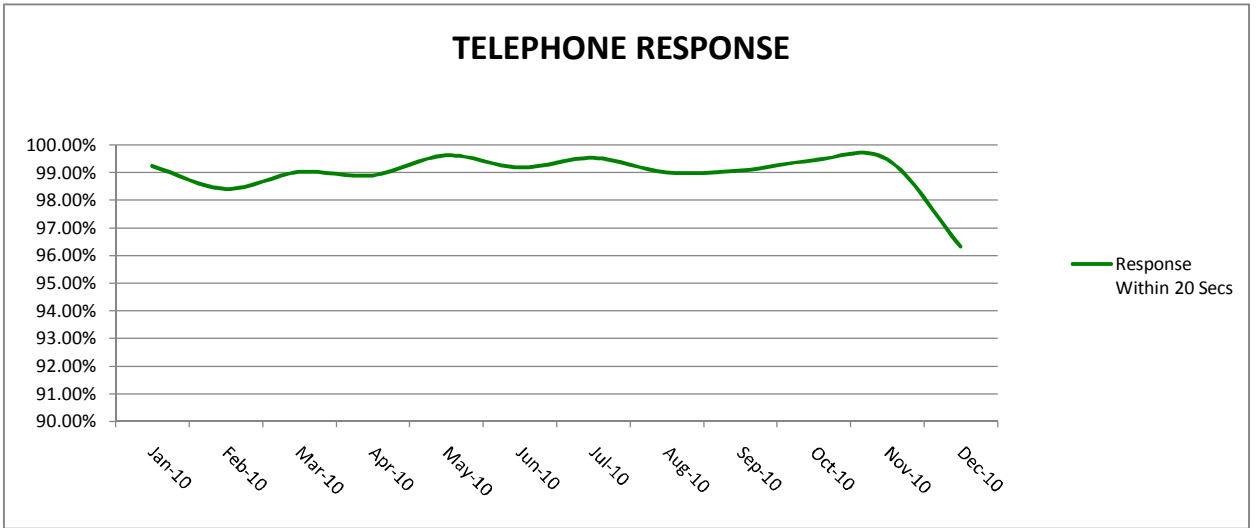
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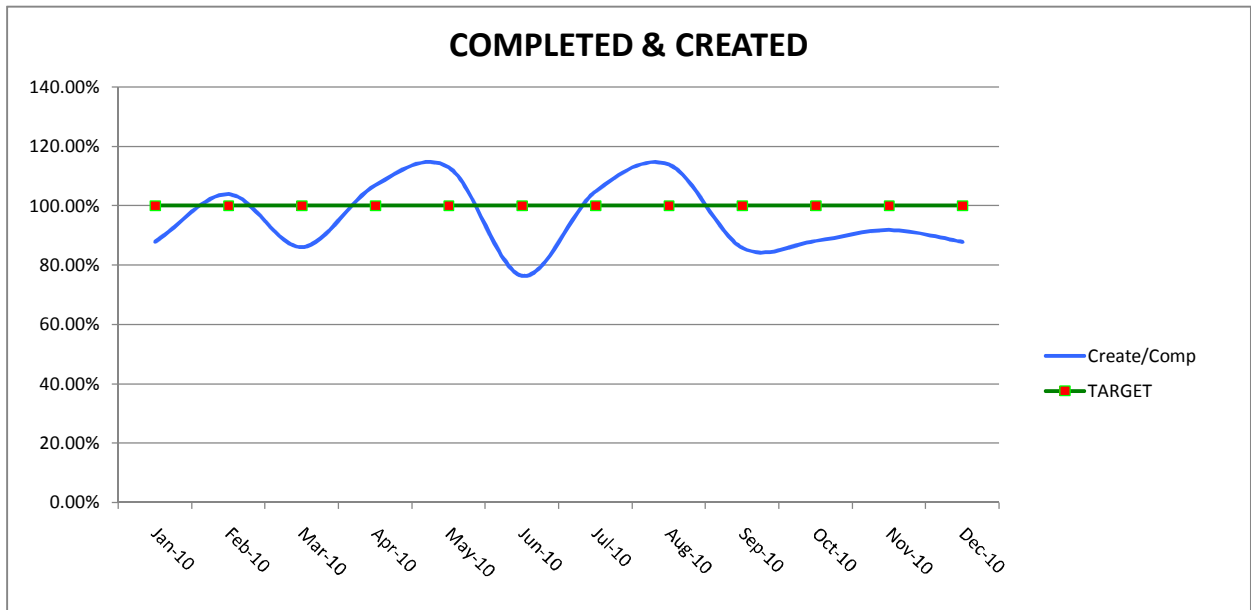
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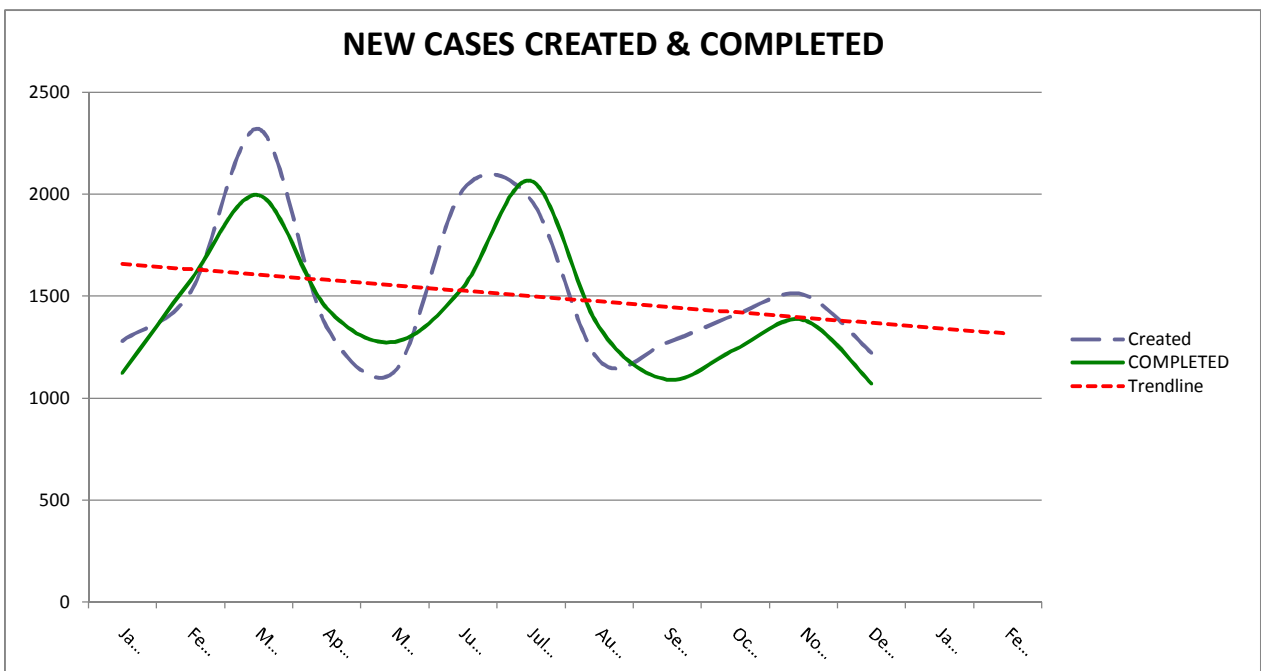
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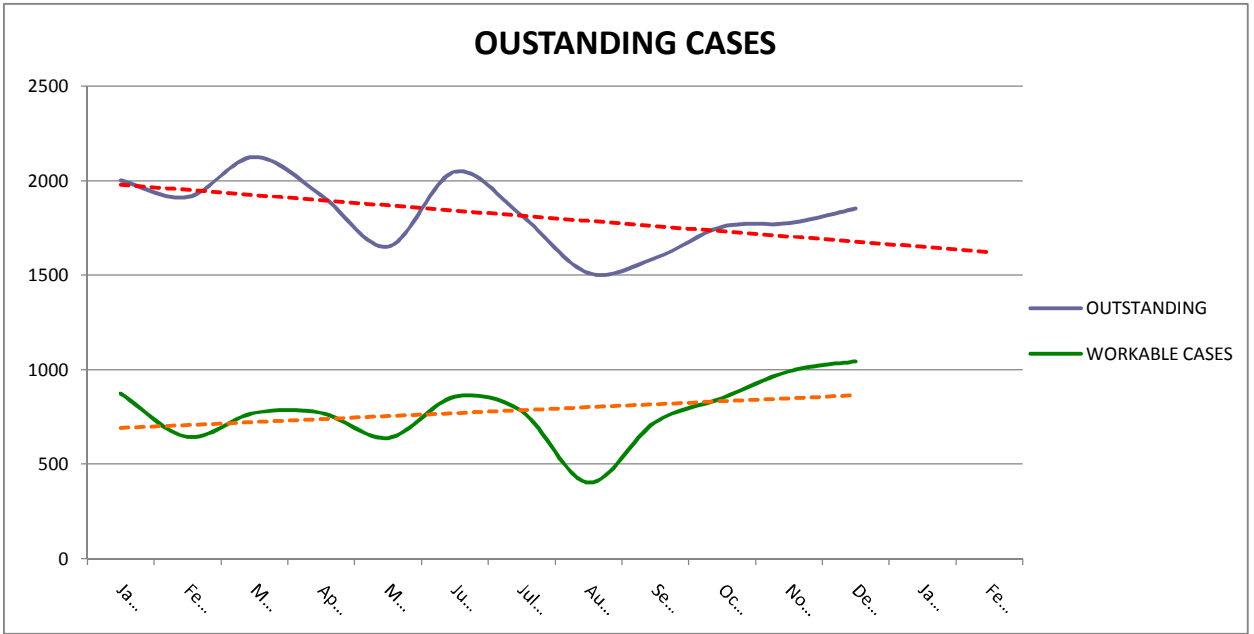


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**2011/14 SERVICE PLAN APPENDIX 3**

No.	Target 2010-11	Progress G = green A= Amber	Progress in 2010-11 and Targets for 2011-14
<b>BENEFITS (1 - 8)</b>			
1	<b>Training and Development (APF and Employer staff)</b>	<b>G – c/f</b>	<p><b>Pensions’ Staff:</b> Training is ongoing within APF with a number of staff undertaking professional training and a variety of in-house courses available and regular coaching undertaken. This is now an integral part of the Administration Strategy and will also include Employer training</p> <p><b>Employers’ Staff:</b> It is important that with the fast growing number of new employers joining the Fund (mainly due to the growing trend to outsource services) employers’ hands-on Payroll and HR staff that provide the service to the Fund are adequately trained. An on-line questionnaire has been sent to all Employers to identify the areas where training is needed. Following analysis employer training sessions will be put in place for 2011 and beyond.</p> <p><b>Resource impact</b> - 2011/12 budget has allowed for the cost</p>
2	<b>New Pensions Administration Strategy</b>	<b>G – c/f</b>	<p>2008 LGPS Regulations enabled Administration Authorities to introduce a Pensions Administration Strategy to improve overall performance and particularly the relationship between the administering authority and Employers to provide a better service to members. The strategy includes the facility for the Fund to pass on additional costs for continual poor performing employers to reflect the disproportionate administration work needed to be done by the Fund. This was consulted on with Employers during September/October 2010 and the finalised Strategy was approved by the Avon Pension Fund Committee coming into effect on 1<sup>st</sup> April 2011.</p> <p><b>Resource impact</b> - 2011/12 budget has allowed for the cost</p>
3	<b>CHANGES (TECHNOLOGICAL ENHANCEMENTS )</b>	<b>G – complete</b>	<p>Website face-lift/redesign completed in 2010. Further development opportunities for EDI and member self service were reviewed in 2010 with both Gandlake, Heywood and other providers</p>

4	<b>Member Access &amp; Employer Access</b>	<b>G – c/f</b>	<p><b><u>Change to Member/Employer Access provider</u></b>  Decision to move from Gandlake to Heywood for provision of member and employer electronic access (different times):</p> <ul style="list-style-type: none"> <li>❖ Member Access – change effected seamlessly for members in October 2010</li> <li>❖ Employer Access – removed in October 2010 and new facility for access is being rolled out to employers in March/April 2011.</li> <li>❖ Previous secure portal which was a facility of <i>Gandlake</i> product to allow employers to send information to APF was replaced by <i>Globalscape</i> a product purchased by B&amp;NES and available at lower cost than <i>Gandlake</i>.</li> </ul>
5	<b>Electronic Delivery of Information to members</b>	<b>New</b>	Investigate areas where electronic delivery of information to members is feasible including Annual Benefit Statements, subject to sufficient security arrangements for personal information
6	<b>Electronic Delivery of Information from employers to APF on data changes</b>	<b>A</b>	<p>Bristol Council (40% of active membership) continues to work well but little progress in 2010 with other Employers.</p> <p>The engagement and development process was reviewed in 2010 and <b>included within the overarching Administration Strategy for APF</b> which was agreed with employers and approved by Avon Pension Fund Committee to be effective from April 2011.</p> <p>Deadlines agreed with Employers for full electronic delivery of all member data changes by April 2012 (medium/larger employers) and October 2012 for smaller employers</p> <p><b>Resource impact</b> – 2011/12 budget has allowed for the cost</p>
7	<b>Website – Employers Own</b>	<b>New</b>	<p>Develop a stand-alone employers own website</p> <p><b>Resource impact</b> - 2011/12 budget has allowed for the all costs where appropriate</p>
8	<b>Altair – Major Software Upgrade</b>	<b>G-complete</b>	AXIS (previous facility) is not being upgraded for future enhancement/benefit calc changes and

			<p>therefore agreed in 2009 to move to new Altair upgraded software. Went live in October 2011 without any major problems. Change was seamless from members' perspective and did not interrupt administration service although there was some initial downtime on the system which for a month or so resulted in worse than expected performance figures.</p> <p><b>Resource impact</b> - 2011/12 budget has allowed for the cost</p>
9	<b>Data Cleansing Project 2010 (for Actuarial Valuation)</b>	<b>G - complete</b>	<p>Cleansing is an ongoing process but significant additional effort was made leading up to the valuation. A specific data cleansing team established in 2009 cleared the majority of data errors for the Actuarial Valuation in 2010.</p> <p><b>Resource impact</b> – Contained within existing resources.</p>
10	<b>Equalities</b>	<b>G - complete</b>	<p>Following Equalities review in 2009, Council achieved <i>level 2 accreditation</i>. The Council has now decided to take a service based approach and in 2010 the Fund will not need to produce service impact assessments.</p> <p><b>No impact on resources</b></p>
11	<p><b>Partnership Working</b></p> <p><b>A. Actuarial and Investment Advice framework agreement</b></p> <p><b>B. Communication Materials</b></p>	<p><b>G – complete</b></p> <p><b>G – c/f</b></p>	<p>Framework agreement for actuarial and investment advice in progress through SW regional group.</p> <p>Collaboration with other SW local authority funds took place in 2010 considering the production of generic pamphlets / guides. It was agreed this was not advisable at this time and action would not be taken until new guides etc., post Hutton changes, were required.</p> <p><b>Resource impact</b> – any cost savings from 1 will only materialise once current contracts expire.</p>

<b>INVESTMENTS (12 – 20)</b>			
<b>12</b>	<b>Renew Custody Contract</b>	<b>G – c/f</b>	<p>Custody contract to be tendered in 2011/12 as financial sector now more stable and changes to investment structure have been agreed.</p> <p><b>Resource impact</b> – tender costs included in 2011/12 budget</p>
<b>13</b>	<b>Review of Investment Strategy</b>	<b>G –c/f</b>	<p>Final projects of 2009/10 strategic review in implementation stage with currency hedging mandate to be completed in 2011. There may be projects arising from the review of the hedge fund portfolio currently underway in 1Q11.</p> <p><b>Resource impact</b> - 2011/12 budget has allowed for the cost of implementation and further hedge fund projects</p>
<b>14</b>	<b>Actuarial valuation</b>	<b>G – completed</b>	<p>Actuarial valuation as at 31 March 2010 will be finalised by 31 March 2011.</p> <p><b>Resource impact</b> - actuarial costs for the 2010 valuation has been allowed for in the budget</p>
<b>15</b>	<b>Review Corporate Governance policy</b>	<b>G – completed</b>	<p>Manifest, a 3<sup>rd</sup> party voting agent, has been appointed to monitor the investment managers' voting activity and report periodically to Committee</p> <p><b>Resource impact</b> – the ongoing cost of this service is provided for in the 2011-14 budgets</p>
<b>16</b>	<b>Members Training</b>	<b>G – c/f</b>	<p>Develop training policy for members based on the CIPFA Knowledge and Skills Framework.</p> <p><b>Resource impact</b> – estimated costs included in 2011/12 budget.</p>
<b>17</b>	<b>Review management of financial and investment risks</b>	<b>A – c/f</b>	<p>Following triennial valuation consider review of management of financial and investment risks (e.g. interest rate, inflation and longevity hedging, employer specific liabilities). This will be delayed until CLG advise as to the potential impact on LGPS structure of the Hutton Commission.</p> <p><b>Resource impact</b> – investment advice included in 3 year service plan budget</p>

18	<b>Establish framework for self assessment of Committee's decision making process</b>	<b>G - completed</b>	<p>Self assessment of the Fund's decision making process carried out in 2010 and areas for improvement identified and action plan agreed. Commitment by Fund to periodically undertake such assessment.</p> <p><b>Resource impact</b> – none</p>
19	<b>Review of Socially Responsible Investing (SRI) policy</b>	<b>New</b>	<p>The Fund's current approach to SRI was agreed in 2001. Since then responsible investing has evolved significantly driven by legislation and investor demands. The Fund aspires to be a signatory of the UN PRI. The policy will be reviewed in 2011/12 to ensure the Fund's SRI policy is consistent with this objective.</p> <p><b>Resource impact</b> – estimated costs included in 2011/12 budget.</p>
20	<b>Monitoring of Scheme Employer Risks</b>	<b>New - ongoing</b>	<p>The Employer Liaison team to ensure scheme employers understand their pension obligations in outsourcings/restructurings and they comply with the Fund's process for implementing an outsourcing.</p> <p>Investments/finance team to monitor financial position of scheme employers and legal structure following any restructuring / outsourcings and ensure bonds/guarantees in place where possible to manage any potential risk to the Fund.</p> <p><b>Resource impact</b> – expect to deliver out of existing resources</p>

**Avon Pension Fund**  
**Budget 2011/12**

**Appendix 4**

	Forecast 2010/11 £	Budget for 2011/12 per 2010/11 3yr budget £	<b>Year 1 Budget 2011/12 £</b>	Change from 2011/12 per 2010/11 3yr budget	Year 2 Budget 2012/13 £	Year 3 Budget 2013/14 £
Investment Expenses	111,000	115,300	<b>101,000</b>	-14,300	104,100	107,200
Administration Costs	96,400	91,800	<b>78,300</b>	-13,500	83,300	82,300
Communication Costs	244,700	257,900	<b>168,100</b>	-89,800	198,100	175,900
Information Systems	158,700	161,900	<b>167,000</b>	5,100	164,200	168,700
Salaries	1,265,500	1,290,800	<b>1,303,400</b>	12,600	1,301,600	1,321,400
Central Allocated Costs	394,400	402,600	<b>394,400</b>	-8,200	394,400	394,400
Miscellaneous Recoveries/Income	-134,700	-137,400	<b>-139,200</b>	-1,800	-142,700	-146,300
<b>Total Administration</b>	<b>2,136,000</b>	<b>2,182,900</b>	<b>2,073,000</b>	<b>-109,900</b>	<b>2,103,000</b>	<b>2,103,600</b>
Investment Governance & Member Training	228,500	271,500	<b>291,200</b>	19,700	193,400	198,300
Members' Allowances	46,200	47,100	<b>40,400</b>	-6,700	41,700	42,900
Independent Members' Costs	18,800	19,100	<b>18,800</b>	-300	19,300	19,900
Compliance Costs	229,500	216,700	<b>269,600</b>	52,900	276,900	284,400
Compliance Costs recharged	-52,000	-53,000	<b>-52,000</b>	1,000	-53,600	-55,200
<b>Governance &amp; Compliance</b>	<b>471,000</b>	<b>501,400</b>	<b>568,000</b>	<b>66,600</b>	<b>477,700</b>	<b>490,300</b>
Global Custodian Fees	84,300	93,100	<b>143,000</b>	49,900	121,600	125,200
Investment Manager Fees (ad valorem)	7,021,600	7,128,100	<b>8,248,800</b>	1,120,700	8,743,700	9,268,400
Investment Manager Performance fees	126,900	405,000	<b>298,100</b>	-106,900	316,000	335,000
<b>Investment Fees</b>	<b>7,232,800</b>	<b>7,626,200</b>	<b>8,689,900</b>	<b>1,063,700</b>	<b>9,181,300</b>	<b>9,728,600</b>
<b>NET TOTAL COSTS</b>	<b>9,839,800</b>	<b>10,310,500</b>	<b>11,330,900</b>	<b>1,020,400</b>	<b>11,762,000</b>	<b>12,322,500</b>