

Key Performance Indicators

Report of the Strategic Finance Director

Purpose of the Report

To supply the Pension Board with information on the performance indicators set out in the 2014/15 Annual Pensions Report and to update the Board on the KPI's which are being piloted by the national Scheme Advisory Board (SAB).

Report

Key Performance Indicators that are included in the 2014/15 Pension Annual Report

To meet the reporting requirements as detailed in the Guidance for Local Government Pension Scheme Funds 2014, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) a suite of key performance indicators are included within the Pension Fund Annual Report.

These indicators, which are provided at annex 1 cover:

Financial Performance:

- Analysis of pension contributions
- Analysis of pension overpayments
- Scheme Administration Costs
- Investment Management Costs
- Oversight and Governance Costs
- Key Staffing Indicators

Administration Management Performance:

- Annual Benefit Statements sent by Statutory Deadline
- Number of retirement estimates provided within 10 working days
- Pay retirement grants within 10 working days
- Pay death gratuities within 3 working days
- Results from employer satisfaction survey
- Complaints received

Board members are requested to consider the performance of the Gloucestershire Fund against these key performance indicators.

The Scheme Advisory Board (SAB) pilot KPI's

A suite of KPIs have been developed during 2014 by the SAB Scheme Reporting Group, which comprises LGPS practitioners and external bodies including NAPF, CIPFA and the ACA sub group. These KPIs have been piloted by a number of LGPS Funds in 2014.

The aims of the pilot KPIs are to enable funds to compare themselves across the scheme and will enable the Scheme Advisory Board to provide more targeted support to funds.

Results will help funds to:

- Assess their fund against the examples of best practice for high performing funds and examples of concern for each KPI;
- Inform the SSAB how much effort/time/cost undertaking the pilot actually consumed compared with the SSAB estimate;
- Provide general feedback on the KPIs and examples of best practice and example of concern and any suggestions for their clarification, refinement and improvement.

The pilot has 4 core KPIs (to help identify underperforming Funds) and 14 supplementary KPIs (to help identify where potential problems lie and improvements could be made), covering the following areas:

□□ **Core KPIs:**

- Risk management (covering all Pension Fund activities)
- Funding level and contributions
- Deficit recovery
- Required investment returns

□□ **Supplementary KPIs:**

- Pensions Committee and Pensions Board member competence
- Administering authority staff accountability, leadership experience and training
- Statutory governance standards and principles (as per DCLG or SSAB and TPR codes)
- Quality and accessibility of information and statutory statements/strategies/policies (Governance, FSS, SIP, comms, admin authority and employer discretions policies)
- Compliance with the for Investment Governance Principles (ie Myners principles) and voluntary adoption of UK Stewardship Code and UNPRI
- Historic investment returns (last 3, 5, and 10 years) and total investment costs compared to other LGPS funds
- Annual report(s) and audited financial statements

- Scheme membership data
- Pension queries, pension payments, and annual benefit statements
- Cost efficient administration and overall VFM management
- Handling of formal complaints and IDRPCs
- Fraud prevention
- Internal and external audit
- Quality assurance

All Administering Authorities are now being asked to submit data to the SAB in relation to these 18 KPI's as detailed in annex 2 of this report by 31st October. The return for the Gloucestershire Fund is currently being produced.

The SAB will be considering the results of this exercise during December 2015 and expect to recommend to the Department for Communities and Local Government (DCLG) in early 2016 that they are included in LGPS regulations/scheme guidance and/or as part of the 31st March 2016 valuation process. They will then be issued in April 2016 and from December 2016 be used as a tool to assess and support Funds.

Recommendations

It is recommended that:

The Pension Board notes:

- the Key Performance Indicators which are included in the Pension Fund Annual Report, in annex 1.
- the Scheme Advisory Board KPI's in annex 2.

Contact Officer

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Financial Performance: Key Performance Indicators

Analysis of pension contributions

The timeliness of employee and employer pension contributions which should be paid to the Pension Fund no later than 19 days from the date they were deducted from employees' salaries is shown on the following page.

Employee and employer contributions	Total	On time		Late	
		£000	£000	%	£000
2013/14	82,000	81,600	99.6	400	0.4
2014/15	90,000	89,500	99.4	500	0.6

In total 24 (2013/14 28) monthly payments were received late, of which 22 (2013/14 27) were received within the month. The remaining two payments were received 96 days late.

The option to levy interest on overdue contributions was not exercised.

Analysis of pension overpayments

	2014/15
	£
Pension overpayments b/fwd	7,680
Pension overpayments in the current year	38,644
Overpayment recovered	(21,904)
Overpayments written off	(922)
Pension overpayments c/fwd	<u>23,498</u>

Gloucestershire Pension Fund participates in the National Fraud Initiative (NFI) which is a biennial data matching exercise administered by the Cabinet Office. Pension data was submitted through the web portal in October 2014 and data match reports produced matching:-

- active pensioners with Department of Works and Pensions (DWP) deceased records, to identify cases where we might be continuing to pay someone who has died;
- pensioners with payroll records for public sector bodies to identify cases where pensions should be abated
- pensioners receiving an enhanced injury pension with individuals receiving relevant state benefits to identify cases where they have failed to declare relevant state benefits that may remove or reduce entitlement to the enhanced pension.

Match reports are being reviewed and additional information sought as necessary. The reports identified 27 pensioners who had died, where Pensions had not been informed of their death, in 14 of these cases the pension had already been suspended. Invoices have been raised to recover overpayments. No cases of fraud have been identified to date.

Administration Management : Key Performance Indicators

The Pension Fund has a number of local performance targets which are detailed in the table below. The table shows the levels of achievement for the last five years.

Activity	Target	2014/15	2013/14	2012/13	2011/12	2010/11
Annual Benefit Statements sent by statutory deadline						
	100%	0%** see note below	100%	100%	100%	100%
Provide retirement estimates within 10 working days						
Total completed		505	531	655	754	749
Completed on time		646	428	594	685	693
Achievement	80%	78.2%	80.6%	90.7%	90.9%	92.5%
Pay retirement grants within 10 working days						
Total completed		634	745	739	889	775
Completed on time		707	721	716	844	763
Achievement	90%	89.7%	96.8%	96.9%	94.9%	98.5%
Pay death gratuities within 3 working days						
Total completed		39	57	65	45	51
Completed on time		40	54	58	37	39
Achievement	85%	97.5%	94.7%	89.2%	82.2%	76.5%

** Annual Benefit Statement – Statutory deadline was 30/09/2014. 100% of Annual Benefit Statements were sent out during December 2014.

The Pension Section not achieving its local performance targets has primarily been due to additional workloads experienced as a result of the unprecedented levels of statutory change and requirements of late. This has resulted not only in additional complexity and issues to be managed in the administration of the LGPS by the Pension Section, but also in the need to provide substantial additional support to both Employers and Scheme Members alike.

Results from employer satisfaction survey

The Fund also carries out an annual employer satisfaction survey to measure the level of benefit/improved understanding employers derive from attending the employers' forums and when contacting the Pensions section.

% of employers completing the survey who agreed with the following statements:

	2014/15	2013/14	2012/13	2011/12	2010/11
	%	%	%	%	%
The forums had raised their understanding of current pension issues	83	83	88	100	100
Employers who felt that what they had learned would help them in their role as a pension fund employer	88	78	94	100	73
Where I have contacted the Pensions office regarding a pension related issue, I am satisfied with the assistance given in relation to the query	95	72	100	94	100

Complaints received

	2014/15
Type of complaint	
System error	-
Staff error	1
Staff attitude	-
Total	1
Total as % of workload	0.0%

Financial indicators

Scheme Administration Costs

The Pension Fund subscribes to the annual CIPFA Benchmarking Survey. This survey for 2014/15 shows that whilst the number of employers within the Gloucestershire Fund exceeded the average of all the Funds in the survey our administration costs per member are £13.19 compared to the average cost of £18.68 per member within the survey. This places the Fund in the lowest cost quartile.

Cost per member	2014/15	2013/14	2012/13	2011/12	2010/11
	£	£	£	£	£
Fund cost	13.19	13.08	14.40	14.68	15.59
Group average	18.68	20.75	20.87	21.54	22.14
Difference	(5.49)	(7.67)	(6.47)	(6.86)	(6.55)

Investment Management Costs

	2014/15	2013/14	2012/13	2011/12	2010/11
	£	£	£	£	£
Cost per member	111.07*	111.82	67.36	75.04	68.56

* Pension Fund expenses have been accounted for in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Costs. In accordance with this guidance, from 2014/15 transaction costs previously included within the purchase cost/proceeds of investment purchases and sales have been added to Investment Management Costs with a corresponding offset against Profit on Disposal of Investments.

The management fees disclosed above include all investment management fees directly incurred by the Fund i.e. including those charged on pooled fund investments which tend to be deducted from the market value of the investments rather than invoiced to the Fund. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

A third category of expense, Oversight & Governance, has also been added and some costs previously included within Administration Costs and Investment Management Costs now come under this category.

Oversight and Governance Costs

	2014/15
	£
Cost per member	7.86

Key Staffing Indicators

The table below shows the number of staff over the last five years in the Pensions Administration Team working exclusively on local government pension scheme benefits. This table shows a trend of a declining number of staff looking after an increasing number of fund members.

	2014/15	2013/14	2012/13	2011/12	2010/11
Number of full time equivalent Pension Fund staff	10.6	9.8	9.8	9.9	12.7
Total fund membership	51,794	50,419	47,712	46,214	44,939
Number of fund members to one member of administration staff	4,886	5,145	4,869	4,668	3,539