

Review of Administration (Structure and Efficiency) and reportable KPIs for Gloucester Pension Fund

Prepared for: Matthew Trebilcock, Head of Pensions, Gloucestershire Pension Fund

Prepared by: Daniel Kanaris, Senior Public Sector Consultant

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Introduction

We have prepared this paper as we have been asked to review the administration arrangements of the Gloucestershire Pension Fund (the “Fund”). The scope of the review is based on the requirements identified by the Fund.

This paper sets out the approach and timescales for undertaking this review of key administration processes. The purpose of the exercise is to:

- Carry out a review of the current organisational structure of the administration team;
- Make recommendations to ensure the team can meet operational requirements and deal effectively with the increasing complexities of administration both current and in light of future known legislative changes; and;
- Consider the efficiency of the administration team, through observing key processes and making recommendations to deliver efficiencies to help the team meet their performance standards outlined in the Pensions Administration Strategy.

Where we identify any areas that can be improved, we will make suitable recommendations for changes that need to be made.

We have carried out several reviews of administration services for other LGPS administering authorities and will bring the experience of how others operate and achieve high performance to your review, as well as our own expertise including that from specialists across Aon (many of whom used to work within LGPS administration teams and hence have direct experience).

Carrying out this review will provide the Fund with an appropriate level of assurance around its administration processes, as well as helping to identify:

- areas of risk and
 - potential areas of improvement
- that may merit further consideration.

We set out below some more detail on our approach for this review across each of the relevant areas.

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Scope of the Review

The recent Governance Review of the Gloucester Fund, and subsequent discussions, highlighted some challenges in relation to the Fund's administration. Tying in to the review of the Administration Strategy recommended in that review, the Fund is now undertaking a specific review of the Administration of the Fund, the aim of which is to provide assurance that the administration team is both structured and functioning effectively, in line with the Fund's objectives (as described in the Fund's strategies) and overriding legal requirements. Where we identify as part of the review any areas that can be improved, we will also make suitable recommendations for such improvements.

The review will result in a final report which will include a number of observations (including areas we consider to be best practice) and recommendations. The recommendations will be backed up with a description of what we observed and a further explanation of our recommendation.

We will also identify any areas we observe where we consider the standard being delivered by the team means that the Fund is at risk of failing to deliver legal requirements or could result in other serious issues or errors.

Our review will consist of two main areas: a review of the administration team structure; and a review of the administration team's efficiency.

Administration Team Structure Review

This review aims to inform our considerations on whether the administration team structure is likely to meet the service's aspiration and objectives of the Fund. Note that this review will focus on the administration team so any finance, accounting or governance teams etc. will not be in scope for this work, but we would be happy to bring these into scope if needed. Our review of the administration team includes:

- assessing the numbers of staff allocated to carry out certain functions and commenting on whether they seem appropriate. In assessing this, if needed we can provide more detailed analysis on expected staffing levels based on the workloads the team is faced with
- reviewing the levels of management in the structure; and
- consideration of role profiles to determine where responsibilities lie

We will then highlight any positive features and make recommendations for changes where we recognise potential challenges in the structure.

We will be using the following information to conduct our analysis:

- The current administration team structure chart(s) provided by the Fund, as well as information on job profiles, team responsibilities, KPI statistics and the aspirations and objectives for the service.

- Team responsibilities matrix provided by the Fund.
- Fact finding discussion with the Fund's management team / officers.
- Results of Aon's recent LGPS survey on organisational structures – this research resulted in responses from 30 LGPS administering authorities covering 32 funds and 1,260 full time equivalent (FTE) roles. The survey showed the number of roles allocated to certain functions within administering authority investment, governance and administration teams.

We will also draw on our previous experience and expertise in administration, governance and investment matters more generally in relation to the LGPS, in particular, the increasing level of governance requirements and scrutiny. In doing this we note that a number of members of our team have worked for administering authorities and we have recently carried out similar organisational and efficiency reviews for a number of other LGPS administering authorities.

Administration Efficiency Review

This review will be carried out with an objective to ascertain whether there are any clear efficiencies which could be gained by amending current practices with a view to being better placed to meet the Fund's objectives, as described in the Fund's strategies, and overriding legal requirements.

To carry out this part of the review, we will be observing some of the key administrative processes and conducting meetings with the team officers and senior managers.

The report will set out our observations (including areas we consider to be best practice) and any recommendations we have. The recommendations will include a description of what we observed and an explanation of the recommendation, together with the benefits that will come with implementing it.

Key Performance Indicators (KPIs)

In conjunction with both reviews, we will also be reviewing the Fund's current use of Key Performance Indicators (KPIs), determining whether the current KPIs are the most appropriate and, if necessary, exploring use of a more realistic and appropriate KPI system. This may involve setting an achievable level of KPIs in the short term with the current processes / structure, together with a high-level action plan / timescale setting out how the KPIs would develop over time as the structure / resourcing / processes improve over time too. Again, this element will draw on our experience of KPI setting / monitoring with other LGPS Funds.

Timing

Our suggested timescale is as follows:

Funds to provide information and data required by the review	December 2022
Project initiation meetings / discussions	December 2022 / January 2023
Virtual/physical meetings with team officers/senior managers	December 2022 / January 2023
Aon analyse information and start drafting report on findings	February 2023
Onboarding of new Pensions Administration Manager (PAM)	(Hopefully) March 2023
Progress update provided to Pensions Committee	March 2023
Discuss report / findings with Fund's management (including new PAM)	March / April 2023
Aon provide final report	May 2023
Report provided to Pensions Committee	June 2023 (PC)

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