

Decision Maker: LOCAL PENSION BOARD

Date: 22nd January 2020

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PERFORMANCE MONITORING REPORT 2019

Contact Officer: Thi Bang Hoang, Pensions Manager
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Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report is prepared by the Pensions Manager to provide the Local Pension Board with information to assess whether the Fund is complying with the Pension Regulator's Code of Practice on Governance and Administration of public service pension schemes.

2. RECOMMENDATIONS

2.1 Members of the Local Pension Board are asked to note:

- a) The Pensions Regulator Code of practice ‘Governance and administration of public service pension schemes’ as a guide to good governance;
 - b) The procedures and policies in place to monitor Liberata’s performance;
 - c) Liberata’s current performance levels.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing Policy. The Council's pension fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: No Cost
 2. Ongoing costs: Recurring Cost. Total administration cost £5.1m (includes fund Manager/actuary/adviser fees, Liberata charge and officer time)
 3. Budget head/performance centre: (insert budget head)Pension Fund
 4. Total current budget for this head: £43.9m expenditure (pensions, lump sums, etc); £56.8m income (contributions, investment income, etc); £1,118m total fund market value at 30th September 2019)
 5. Source of funding: Contributions to Pension Fund
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Personnel

1. Number of staff (current and additional): The Local Pension Board comprises of 2 Employer Representatives and two Member Representatives. The Board is supported by the Pensions Manager.
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement Local Government Pension Scheme Regulations 2013 (as amended).
 2. Call-in: Not Applicable.
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,072 current active members, 5,828 deferred pensioners and 5,502 pensioner members (for all employers in the Fund) as at 30th September 2019.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 The Public Service Pensions Act 2013 (the 2013 Act) introduced the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator. The Pensions Regulator under the requirements of the Pensions Act 2013 issued a Code of Practice on governance and administration of public sector pension schemes. This provides practical guidance and sets the standards of conduct expected of those exercising those functions. The Code of Practice provides practical guidance to the Council, as the administering authority and “scheme manager” and Local Pension Board members in relation to the exercise of functions under relevant pension legislation.

Further detail was provided to the Local Pension Board meeting on 6th November 2018 and to the General Purposes and Licensing Committee on 27th November 2018.

3.2 The Code is structured into four core areas of scheme governance and administration and these have been RAG rated to show current levels of compliance. A summary is attached at Appendix 1.

3.3 The Pensions Regulator has recently published “Governance and administration risks in public service pension schemes: an engagement report” setting out findings from their engagement with 10 local government pension funds. The engagement took place between October 2018 and July 2019 following the results of their annual governance and administration survey. Overall, most funds demonstrated good practice relating to Record-keeping, Internal controls, Member communication, Internal Dispute Resolution Procedure, Pension Boards, Employers and contributions, Cyber security, and Fraud. However, they found a number of common areas requiring improvement:

- Key person risk: While most scheme managers demonstrated a good knowledge, many funds have a lack of comprehensive documented policies and procedures. They found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security.
- Pension boards: Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. They found evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries.
- Fraud / scams: They saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.
- Employers: They saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The full report can be accessed via: <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report>

3.3.1 On 19th September 2019, the LGPS Scheme Advisory Board (SAB) published the following statement:

“The Pensions Regulator has today published its report into the governance and administration risks in public service pension schemes including the 10 UK local government funds who were engaged with between October 2018 and July 2019. The report summarises the key findings against the Regulator’s Code of Practice 14 both in terms of exceeding and falling short of required standards and will be discussed in detail when SAB next meets on the 6th November 2019. In commenting on the report, Chair of the Board, Councillor Roger Phillips said “This key area of work ties in closely in with the Board’s own Good Governance project. In identifying examples of best practice as well as areas for further improvement the report will undoubtedly be of great assistance to LGPS funds in seeking to enhance their own governance and administration arrangements.””

3.4 In July 2019, The Pensions Regulator issued their first ever Improvement Notice to a public service pension fund solely focused on internal control failures. The fund experienced a catalogue of errors, including £1.7 million of late contributions and a lack of clarity over its member data.

3.4.1 The Bromley Pension Fund Administration is carried out by Liberata and monitored by the Pensions Manager. The following procedures and policies are in place to monitor Liberata’s performance:

- Monthly Service Review: a service review meeting is carried every month with Liberata Pensions, LBB’s Pensions Manager and Head of Revenues and Benefits.

The review aims to help monitor performance and service quality, and support continuous improvement. A comprehensive Pensions Administration report is produced by Liberata covering the following:

- Monthly summary of regulations and circulars, general updates, training, data backup and reporting
- SLA monitoring and KPIs
- Membership analysis
- Operation plan (continuous improvement plan)
- Complaints and compliments
- Long term costs for retirements
- Monthly contributions schedule

In addition, Liberata also provides a summary of their current work statistics, a breakdown of all cases completed during the month and all cases outstanding at the end of the month.

Depending on the outstanding casework, recommendations will be provided to Liberata, such as clearance of failed cases to improve the overall level of performance moving forward and focus on cases with the highest volume of outstanding work.

- Quality Checking: this is a process to assess an individual’s competence in a particular area or if the complexity or risk of the task determines checking is required. It is always completed prior to the issue of any output.

Although Liberata has a quality checking process in place additional review is carried out by the Pensions Manager or Chief Accountant for the following tasks:

- Flexible retirement
- Payment of Death grants
- Large/ complex transfer value
- Complex queries

Quality checking must be undertaken by a different person than the officer who processed the case.

Quality checking provides an assurance on customer experience, accuracy of processing and ongoing achievement of competency levels. Customer satisfaction is monitored through the volume of repeat enquiries and complaints.

If an error is identified, feedback is provided to the officer who processed the case. As we gather more information, this may provide an opportunity to create a valuable set of training notes.

- Training: all Liberata staff members receive an induction to pension administration training upon starting their employment. Specialist training sessions are available upon request from the staff member.

Since 1 April 2019,

- One staff member attended advanced report writing training; and
- Three staff members attended advanced excel training

There are a number of websites available for staff members to visit to improve their technical skills, such as LGPS Regulations and Guidance and LGPS Scheme Advisory Board.

- 3.5 Further details of management performance are also included in the Fund Administration Report on pages 20-22 of the Pension Fund Annual Report.
- 3.6 The Pension Fund is also subject to an annual internal audit review. The 2018/2019 audit concluded that, overall, substantial assurance could be placed on the effectiveness of the overall controls. There were no priority 1 recommendations raised as part of the audit.
- 3.7 The Pension Fund Annual Report and Accounts are also subject to external audit on an annual basis.
- 3.8 The performance monitoring report attached in Appendix 2 provides detailed statistics, prepared based on Liberata's performance statistics between 1 April 2019 and 30 September 2019.

4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations for the purpose of providing pension benefits for its employees.

5. FINANCIAL IMPLICATIONS

- 5.1 None arising from directly from this report.
- 5.2 Total administration costs are estimated at £5.1m in 2019/20 (includes fund Manager/actuary/adviser fees, Liberata charges and LBB officer time)

6. LEGAL IMPLICATIONS

- 6.1 The Public Service Pensions Act 2013 provides primary legislation for all public service schemes including the LGPS 2014.

Non-Applicable Sections:	Procurement Implications Impact on Vulnerable Adults and Children Personnel Implications Procurement Implications
Background Documents: (Access via Contact Officer)	Public Service Pensions Act 2013; Local Government Pension Scheme Regulations 2013 (as amended); Code of Practice 'Governance and Administration of Public Service Pension Schemes' The Pensions Regulator Engagement Report "Governance and administration risks in public service pension schemes"