

Pensions Committee

2 pm, Tuesday, 24 September 2013

Annual Performance Report 2012 /13

Item number	5.2
Report number	
Wards	All

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Coalition pledges	
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Executive summary

Annual Performance Report 2012 /13

Summary

The purpose of the Annual Performance Report is to provide the Committee with further detail on the Performance Indicators for 2012/13. The report (see appendix) looks at each key indicator that was agreed in the 2012 /15 service plan and elaborates on the performance information provided within the annual reports and accounts. It aims to provide the Committee with greater insight into the performance indicators of the pension fund.

The Annual Performance Report contains a comparison of the Fund's pension administration costs with other local government pension funds. There are few, if any, other meaningful comparisons (for example on funding levels, investment strategy, overall costs of the Fund) between local government pension funds due to the lack of consistent information. This issue was highlighted in the Independent Public Service Pensions Commission in 2011:

“All public service pension schemes should regularly publish data which, as far as possible, is produced to common standards and methodologies and is then collated centrally. This information should be of a quality that allows simple comparisons to be made across Government, between schemes and between individual Local Government Pension Scheme (LGPS) Funds.”

The Public Service Pensions Act 2013 will require the regulations for each pension scheme to prescribe record keeping requirements. This is expected to impact on the Fund from 2015 but should enable more meaningful comparisons between pension funds in the future.

Recommendations

It is recommended that the Committee note the annual performance report.

Measures of success

The key measures of success are that the Annual Performance report provides an informative clear understanding of the performance for the Committee and demonstrates the achievement of performance targets, a direct measure of success.

Financial impact

There is no financial impact as a result of this report.

Equalities impact

There is no equalities impact relating to this report.

Sustainability impact

There is no sustainability impact relating to this report.

Consultation and engagement

The Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is integral to the governance of the Funds.

Background reading / external references

None.

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 Annual Performance Report 2012/13



Annual Performance Report 2012/13

Lothian Pension Fund

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Executive Summary

The City of Edinburgh Council is the administering authority for the Local Government Pension Scheme in the Lothian area. As such, the Investment and Pensions Division of the Council administers the benefits and invests the assets of three Local Government Pension Scheme (LGPS) funds, Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

The Division also provides pension administration services for the Fire-fighters' Pension Schemes for Lothian and Borders Fire and Rescue Service, now part of the Scottish Fire and Rescue Service from 1 April 2013.

The purpose of this document, the annual performance report, is to provide an update on how we have performed since making the commitments we set out in our 2012 – 2015 service plan. It sets out, in detail, our progress against our key performance indicators and targets.

Our key objectives

In 2012/13 the Pension Fund's 3 key objectives were:

- **To provide excellent customer care**
- **To support and develop staff**
- **To continue to be a top performing pension fund**

The key emphasis over the last year was to continue to improve the **pension administrations performance**, improve **data quality** by developing our ICT systems, monitor our relationship with employers via the pension administration strategy and review our investment strategy and governance arrangements. The fund also sought to gain **external approval, guidance and accreditation** on key business processes, such as, the annual report, our customer services, governance and compliance.

Our Customers

The Fund has a wide range of internal and external customers and stakeholders and works closely with them to understand their needs.

In 2012/13 the fund focussed on improving the quality of the data which we hold. We are committed to continuing to improve our services and over the year used a variety of methods such as customer journey mapping to identify opportunities for improvements as well as regular consultation to ensure our services met customer expectations.

Objective: To provide excellent customer care	Performance Target	Actual 2012/13
✔ Satisfaction of employers, active members and pensions with communications as measured by annual surveys.	Over 85%	89%
✔ Proportion of active members receiving a benefit statement and time of the year when the statement is distributed.	Over 95% by September	97%
✔ Maintain Customer Service Excellence standard.	Maintain CSE	Retained
✔ Overall satisfaction of employers, active members and pensions measured by annual surveys.	Over 85%	86%

Activity

Customer surveys, mystery shopping exercises, customer journey mapping and the Customer Service Excellence accreditation are some of the key tools we use to ensure that the Fund provides excellent customer service and continuously improves to meet customer expectations and maintain excellent standards. In addition to this we are constantly updating and reviewing our communication methods for example, the launch of our PensionsWeb system for employers and the Pensions online facility for scheme members.

Communicating with customers and stakeholders

Performance Indicator	Target	Actual
✔ Satisfaction of employers, active members and pensions with communications as measured by annual surveys.	Over 85%	89%

87%

Of pensioners who completed survey agreed that the advice and information they received from the Pension Fund was clear and accurate.

Pensioners

87% of pensioners who completed a survey agreed that the advice and information they received from the fund is clear and accurate. **77%** of scheme members who responded agreed that the information given by the fund was understandable.

Our Customers

93% of active scheme members who responded to our survey agreed that the information we gave them was understandable with no confusion. However our new scheme members were less satisfied with **76%** of respondents agreeing that the information we gave them was understandable.

Our employer survey results suggest they are very happy with the communication we provide. **99%** employers who responded to the annual survey said they were very or quite satisfied with the quality of information we provide.

The survey results suggest that when we communicate with our pensioners, active members and employers directly, customer satisfaction is high; however when we communicate in partnership with others for example our new scheme members, satisfaction is lower.

During the year, the Fund has invested in a new secure method of employer data transfer 'PensionsWeb'. This on-line portal has integrated query and validation functions and should facilitate further enhancement to the continual process of updating member records. This has been evidenced by significant improvement in employer performance in the first quarter of this financial year. Further work is ongoing to ensure full usage of the system by employers and to refine the employer portal to fully incorporate monthly reconciliation of pension contribution postings to individual records. This monthly reconciliation presents a real opportunity to reduce the historic reliance on year-end validation and therefore alleviate workload pressures for both employers and the Fund.

Active members receiving benefit statements

Performance Indicator	Target	Actual
 Proportion of active members receiving a benefit statement and time of the year when the statement is distributed.	Over 95% By September	97%

The 97% of annual benefit statements were made available on the online system by 30 September 2013. 250 scheme members did not receive an annual statement in the timescale because their employer failed to deliver correct information to allow the benefit statement to be produced. These members of staff were sent a letter explaining the issue. Councillor statements, which require manual calculations, were also issued after September.

Customer Service Excellence standard (CSE)

Performance Indicator	Target	Actual
 Maintain Customer Service Excellence standard (CSE)	Retain award	Retained

The Pension Fund was accredited for CSE in 2008 and since then has used the tool to continuously develop and improve. As a result of working with the standard the service has introduced, service standards, customer care standards, regular surveys and consultations with key stakeholders, customer journey mapping and mystery shopping.

Our Customers

In the 2012/2013 CSE assessment, the Fund received 1 partial compliance and 2 areas of compliance plus. A partial compliance is where the service only partially meets the criteria and compliance plus is awarded when the service has gone beyond the expectations of the standard. A total of 11 partial compliances are allowed during the assessment. The partial compliance reflects the ongoing difficulties the Fund has with data quality from its partners. The 2 compliance plus relate to our approach to gathering customer insight via customer journey mapping and consultations and using this to improve our service.

John Wood CSE Assessor commented:

'The service clearly demonstrated its commitment to the ongoing process of providing improved services to its customers. At the policy level, the senior management team clearly demonstrated their commitment to ascertaining customer views through their feedback mechanisms and using this information to improve services. At the operational level the service demonstrated that it makes very good use of its customer journey mapping tools to identify customer issues and resolutions.' (Jan 2013)

Customer and Stakeholder satisfaction

Performance Indicator	Target	Actual
 Overall satisfaction of employers, active members and pensions measured by annual surveys.	Over 85%	86%

96%

of scheme employers who were surveyed said they were satisfied with staff professionalism and attitude.

The overall customer satisfaction target was met with the majority of stakeholders being happy with the service they received.

96% of scheme employers who were surveyed said they were satisfied with our staff's professionalism and attitude.

84%

of pensioners agreed that staff were polite and courteous.

84% of pensioners agreed that staff were polite and courteous.

92% of active scheme members who responded to our survey agreed that the time taken to answer their query was acceptable.

Our Customers

<i>Breakdown of Overall Customer satisfaction</i>	2012/13	2011/12	2010/12
<i>Active Scheme Members</i>	89%	93%	83%
<i>New Scheme Members</i>	66%	65%	67%
<i>Pensioners</i>	84%	83%	88%
<i>Employers</i>	97%	84%	89%

Customer satisfaction is lower for new scheme members compared to other customer groups. This is mainly due to delays in communication when joining the scheme. This has been the case for a number of years and is a symptom of delays in receiving information from employers. We need to work harder to ensure we maintain our excellent customer service when working in partnership with others.

Response to our surveys

The active scheme members and new scheme members overall satisfaction is monitored via transactional surveys issued on an ongoing basis to customers who have recently used our service. A total of 143 new scheme members and 144 active scheme members responded to our overall customer satisfaction question. The employer survey is issued to all employers on an annual basis and a total of 72 employers responded to our overall customer satisfaction question. The annual pensioner survey was issued to 500 pensioners and 100 pensioners responded to the overall customer satisfaction question.

Channel Usage

We also gather channel usage information from our stakeholders so we can deliver the service they want for example, 67% of pensioners who responded also said their preferred communication channel was the telephone with 57% of respondents said they did not have access to the internet. This type of information helps us decide the best ways to communicate and as a result our pensioners still receive a paper newsletter whilst our active scheme members are being encouraged to make use of our on-line facilities. In 2013 we aim to gather even more channel usage information, in particular related to using social networking sites.

Informal Complaints

A total of 32 informal complaints were received during 2012. The main themes were regarding delays in service and receiving promotions from the Pensioner Club Together magazine. It is our aim to always advise our customers if there is going to be a delay in service and we identify and resolve any recurring issues from our informal complaints. We also provide our pensioners with the option to opt out of the Club Together magazine.

Our Customers

Formal Complaints

We categorise complaints in two ways complaints about our service and complaints about the way we apply the regulations. A total of 23 formal complaints about our service were received and a total of 7 complaints about the way we apply the regulations were received. A total of 14 formal complaints were upheld. A theme identified with the upheld complaints was regarding the late payment of pension benefits. The dip in service is often related to the delay in the employer sending the Fund the relevant or correct information.

Compliments

A total of 87 compliments were received about our service in 2012. What customers complimented the fund on most was the speed of our response and our professional and courteous staff.

'I would like to say what a change to have the phone answered instantly no press this button & that button and have to listen to silly music. Your staff are excellent & I hope management are proud of them.'

Our Staff

Supporting and developing our staff is at the heart of our plans, recognising that Lothian Pension Fund’s success depends entirely on the right people doing the right things at the right time. The organisational structure is streamlined and operations geared to flexibility in working practices. Lothian Pension Fund facilitates a culture of empowerment and a “can do” approach.

Objective: To support and develop staff		Performance Target	Actual 2012/13
✔	Level of sickness absence	4%	3.87%
⚠	Staff satisfaction with present job	60%	53%
✔	Average Training for the Year	2 days	3.8 days

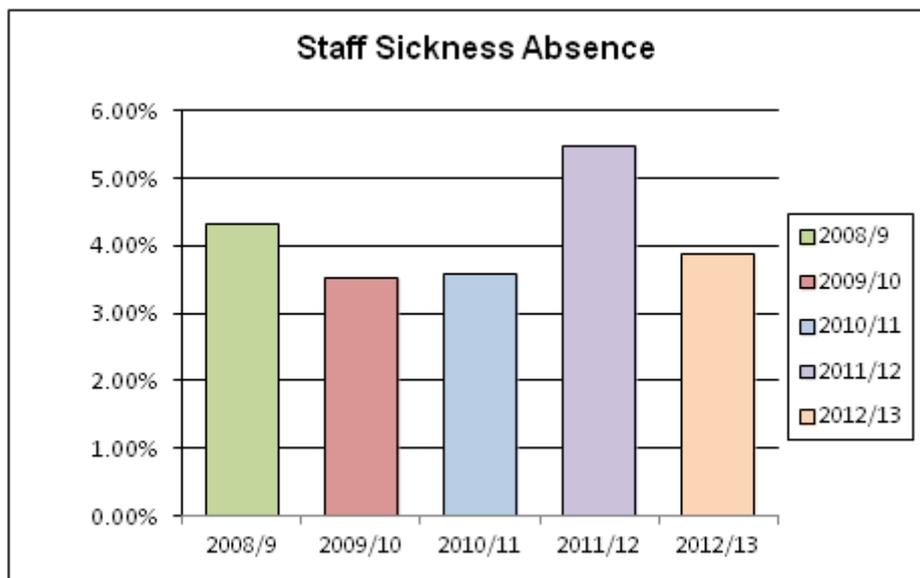
Activity

Our staff survey, Investor in People accreditation and monitoring of training and sickness were the tools used to measure our performance indicators. The following sections look at each performance indicator in more detail.

Sickness absence

Performance Indicator	Target	Actual
✔ Level of sickness absence	4%	3.87%

The graph below sets out sickness absence figures for the last 5 years:



Our Staff

Staff Satisfaction - Results of the 2012 Staff Survey

Performance Indicator	Target	Actual
 Staff satisfaction with present job	60%	53%

In order for us to gauge the views of our staff on how they feel about various aspects of working life such as working for the council, learning and development, resources and workload we survey staff on a regular basis.

The key results for our 2012 survey were mixed. Of those who responded only 53% said overall, they were satisfied working for the council. Alongside this further survey results show mixed result as follows:

84%
of staff agreed that they had a clear understanding of service aims.

84% of staff that responded agreed that they have a clear understanding about the service aims and objectives. In addition, they **81%** agreed that they understand how their work contributes to the objectives and feel valued by its customers/users.

40%
of staff who responded felt their personal morale was good.

Only **40%** of staff within the division agreed that their personal morale was good and **56%** of staff who responded agreed that their work enables them to make best use of their skills and abilities.

The results show that although staff agreed they are treated fairly and are clear about the objectives of the fund, morale is low and many of those who responded feel that their skills and abilities could be put to better use.

This perception could be attributed, in part, to the divisional restructure in 2011. In order to manage costs and become more streamlined a management tier was removed from the divisional structure and as a result, career progression was perceived to be less likely within the division. At the same time, equal pay legislation meant that some positions were re-evaluated and downgraded.

An action plan has been developed and includes reviewing staff posts, promoting 1-1s with line manager and team meetings and improved communication with staff for example, e-mail newsletters and staff briefings.

Our Staff

Staff Development and Training

Performance Indicator	Target	Actual
 Annual Training Requirement	2 days training per year.	average 3.8 days

Training within the fund takes a number of different forms from internal training, presentations to training for formal qualifications. However it is noted that whilst some members of staff have a considerable number of hours training, others have undertaken relatively little training. As a result we will change the way we monitor training to ensure all staff have a minimum number of days training rather than taking the average from across the division.

Qualifications achieved in 2012/13

- **Working towards a Diploma in Pensions Administration, three trainees passed 4 exams each.**
- **The Pensions and Operations Manager passed the Advanced Diploma in Retirement Provision.**

Our Performance

The fund focuses on innovation, data quality and risk management to support continuous improvement necessary to ensure we are top performing pension fund. In 2012/13 we aimed to secure the benefits and flexibility of self-service provision through advanced and secure web-based technology as well as implementing best practice standards, for example in governance and data quality.

Objective: to continue to be a top performing pension fund		Performance Target	Actual 2012/13
	% of critical pensions administration work completed within standards	90%	94%
	Lothian Pension Fund – Three year annualised investment return compared with benchmark	Relative return in range 1.0 + 2.0%	0.0%
	Pension admin cost per member	£24.10	£23.86
	Employer contributions paid within 19 days of month end	97%	97.5%

Activity

In order to ensure that the Fund's performance is maintained a variety of methods were used for example, a review of the investment strategy and governance arrangements, the fund continued to use direct data capture and introduced the PenionsWeb. The fund also recruited lawyer to ensure risk will be managed effectively.

Pension administration work completed within standards

Performance Indicator	Target	Actual
 % of critical pensions administration work completed within standards	90%	94%

We monitor pension administration services for the funds on a weekly basis against our service standards. The type of work this includes is payment of retrials, transfer of pension rights and dependent benefits.

Investment Returns

Performance Indicator	Target	Actual
 Lothian Pension Fund – Three year annualised investment return compared with its investment strategy	Relative return in range 1.0 + 2.0	0.00%

Over the three years to 31 March 2013, the Lothian Pension Fund delivered the same performance as its investment strategy but failed to achieve the target return in excess of the strategy. Following the review of investment strategy in 2012, the success of the Fund's investments will be assessed against the volatility of the returns as well as performance.

Our Performance.

Pension administration cost per member

Performance Indicator	Target	Actual
 Pension admin cost per member	£24.10	£23.86

Financial monitoring reports are provided to each Pensions Committee to ensure appropriate focus on budgetary control. The pension administration cost per member is also used as a benchmark comparison against other administering authorities. In 2012/13, actual administration cost per member of £23.86 was marginally below the budget of £24.10.

The Fund participates in the CIPFA Pensions Administration Benchmarking Club which compares costs with other UK pension fund administering authorities. For 12/13, 52 authorities participated in the benchmarking club and the cost per member ranged from approximately £10 to 40. The Fund's cost of £23.12 is slightly higher than the average of £21.42. (Note that the basis for the calculation of costs is different to that used internally for performance measurement above).

Employer contributions paid within 19 days of month end

Performance Indicator	Target	Actual
 Employer contributions paid within 19 days of month end	97%	97.5%

The employer contribution paid within 19 days of month end indicator shows the proportion of total contributions due for the year that were paid on time. In 2012/13, £1,356,358 was 1 day late, of which £722,482 was late due an error by the employer's bank. 0.1% of pension contributions have been late by more than 3 days.

Awards

The Lothian Buses Pension Fund administered won Fund of the Year 2012 in the 'Under £750m' category in the Local Government Chronicle awards.