

<b>Essex Pension Fund Board</b>	<b>EPB/22/11</b>
<b>Date: 29 June 2011</b>	

## **Report Title**

Report by the Independent Governance and Administration Adviser  
Enquiries to Karen McWilliam on 0141 566 7941

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### **1. Purpose of the Report**

- 1.1 To present an overview of the findings of the Independent Review of Administration.

### **2. Recommendations**

- 2.1 To note the summary findings of the review.
- 2.2 To prioritise the key recommendations coming out from the review.
- 2.3 To agree that officers should develop an action plan and resource implications for the key recommendations.

### **3. Background**

- 3.1 As part of the 2010/11 business plan, the Board asked the Independent Governance and Administration Adviser to carry out an independent review of the Fund's administration.
- 3.2 The review has now been completed with a detailed report having been provided for officers. This report provides a summary of the findings to the Board including the key recommendations.

### **4. Purpose and Approach**

- 4.1 The purpose of the review was to provide an independent professional view in relation to the quality of service and any areas of improvement relating to pensions administration. As part of this assessment, the objectives of the Fund, as outlined in Annex A, were taken into consideration (though the review was not meant to replace the ongoing performance measurements against the above objectives which is considered separately as part of the agenda via the corporate scorecard).
- 4.2 This review covered areas including operations, communications and staffing within the Pensions Services and Investment Teams (though it specifically excludes anything directly related to governance or investment of funds). The areas this therefore included is summarised in Annex B. Evidence from Pension Services and the Investment Team was gathered over a number of weeks by administration and communication professions at Hyman Robertson.

### **5. Summary of Findings**

#### *Positive Observations*

- 5.1 It was determined that the Essex Pension Fund has an excellent team of individuals providing its services to stakeholders and that overall the morale throughout was incredibly high. The review acknowledged the excellent leadership shown by everyone on the Management Team; leading by example and encouraging all members of staff in achieving their highest potential.
- 5.2 The extremely low level of service delivery complaints act as a testament to the quality of the internal processes that exist in the teams as well as the approach taken to develop these where necessary. In a similar vein, the low level of formal pension disputes are also an indication of the high technical knowledge within the team, ensuring that pension benefits are being calculated and administered efficiently. This has further been backed up by 'spot checking' of a range of benefit calculations and processes, all of which indicated that they were correct.
- 5.3 Even though the review recommends that the communication strategy should be reviewed and formally documented (further information below), the overall quality of the communication material that has been produced was found to be

high and it was also pleasing to find there were ideas being developed to improve this further in other areas (for example the on-line procedures manual).

- 5.4 Internal communication was found to be good with regard to keeping staff up to date with changes in pensions related subjects as well as other general office changes.
- 5.5 Both Pension Services and the Investment Team appeared upbeat and positive about the two teams working more closely together; indeed suggestions are being made by all levels of staff on areas and processes that could be looked at further to assist with increasing effective and efficient working across the whole section.

#### *Improvement Areas*

- 5.6 The review did not find any areas of major service failure or concern – which was both pleasing and encouraging to see. As would be expected though, there is always room for improvement or development even where a service may appear to be running effectively. For the most part the outcome of this review highlights those areas. At no time did the review find any evidence of any processes not at all fitting with objectives, which was very pleasing to see.
- 5.7 The key recommendations as part of this review are summarised as follows:
  - a) Risk monitoring and management – Following from the recent work on logging risks, ensure a means for the register to be kept up to date and new risks added as appropriate is identified, ensuring that the identification and management of risks remains robust. It is acknowledged that since carrying out this review, some ideas have been developed in this area.
  - b) Vacant Systems Development Manager post – Due to difficulties in recruiting, this post is temporarily being covered by other members of staff. A review of the Support Team is being carried out in the meantime. While the temporary set up appears to be working well, it would be beneficial for all concerned if the review of the Support Team was concluded swiftly.
  - c) Communications Strategy – The current Strategy is not documented and due review. The Fund's Communication Strategy should be developed, documented and agreed in line with the Board's agreed communication objectives. This should include a full analysis of the methods and how delivery of the communications with stakeholders should be undertaken. Value can be gained in engaging with employers and members in a 'focus group' environment or feedback survey, to ensure that the communication strategy is meeting both Fund and stakeholder requirements.
  - d) Employer engagement/communications - A key issue for the Fund is engaging with over 400 employers so this requires adequate consideration as part of the Communications Strategy (and may require a resource review depending on the outcome).

- e) On-line interactive member/employer facilities - Consideration has already been given to the benefits of having on-line interactive employer/member access in order to help raise awareness of pensions to stakeholders and to benefit from the efficiencies of technology. This should continue to be pursued (assuming this continues to fit with the Fund's objectives following the Strategy review).
- f) Brand/Identity - A brand identity for the Fund will help people to understand that any given piece of communication is about their pension. The review recommended that there should be a single branding for all Fund communications, providing a clear identity for the Fund separate from the County Council.
- g) Employer governance - Default by employers is a key risk to the fund, particularly taking into consideration the current lower funding levels and financial pressures facing all organisations. Officers working with the fund actuary have identified the need to s recommended moving to a framework that will provide greater clarity for all stakeholders and greater control. It is recommended officers continue working with the actuary to put in place the framework/ improved processes.
- h) Integration of Pension Services and Investment Team - Progress in improving integration between Pension Services and the Investment team should be maintained and accelerated where possible including steps to review how and by whom work is carried out where there is some overlap or close relationship in duties.

5.8 Delivering these recommendations may result in additional workload for staff, particularly at a senior level. However, one of the observations was that senior staff do appear to be particularly stretched and accordingly it may be necessary to increase staff, or phase the implementation appropriately, to accommodate these improvements in line with the Fund's objectives. Though the actual resource requirements can only be determined once the Communication Strategy has been reviewed and employer governance procedures developed, the review concluded that this may be in the region of one to two full-time equivalent posts. It is recommended that, if the recommendations for improvement are agreed by the Board, officers consider the resource implications, phasing and action plan to be brought back to the Board for consideration at the next meeting.

## **6. Next Steps**

- 6.1 The Board are asked to note the outcome of the review and prioritise the key recommendations outlined in 5.7 to be taken forward by officers. It should be noted that points (c), (d), (e) and (g) have already been incorporated into the 2011/12 Fund business plan and therefore agreed as business items by the Board.
- 6.2 It is further recommended that the resource implications are assessed and an action plan created to be brought back to the Board at a later date.

## **7. Link to Essex Pension Fund Objectives**

- 7.1 The review will assist Board members and officers in understanding whether their standards of administration fit with the EPF Governance, Administration and Communications Objectives as outlined in the Annex.

## **8. Risk Implications**

- 8.1 The review will also assist in identifying any key risk areas in these areas.

## **9. Communication Implications**

- 9.1 One of the key recommendations relates to reviewing and documenting the Fund's communications strategy, which may result in changes to how communication is delivered.

## **10. Finance and Resources Implications**

- 10.1 Officers have been involved in providing evidence to be considered as part of the review. This has been managed alongside business as usual.
- 10.2 The recommendations may result in additional work for officers. It is recommended that this is kept under review.

## **11. Background Papers**

- 11.1 2010/11 Essex Pension Fund Business Plan – item 20 (detailing that this review will be carried out).

## **Annex A - Objectives**

### *Administration*

- Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
- Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount
- Data is protected to ensure security and authorised use only

### *Communications*

- Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally
- Ensure our communications are simple, relevant and impactful
- Deliver information in a way that suits all types of stakeholder
- Aim for full appreciation of the pension scheme benefits by all scheme members and prospective scheme members

### *Governance*

- Provide a high quality 'gold standard' service whilst maintaining value for money
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk and compliance
- Continually measure and monitor success against our objectives
- Pursue socially responsible business practices

## **Annex B - Scope**

### *Governance*

- Service Level Agreement (SLA) targets and key performance indicators (KPI's) including workflow process reports.
- Risk management processes
- Business continuity
- Fraud identification and management
- Dispute resolution and complaints handling
- Decision making
- Discretionary policies
- Governance of employers

### *Operational*

- Review of progress against actions set out in all internal and external audit reports for 2010
- Administration Strategy (appreciating that this has not yet been prepared)
- Administration system and other software
- Document management (hard copy and electronic storage)
- Integration between systems
- Accuracy of calculations
- Accuracy of records (how interfaces work, forms received input etc)
- Data quality
- Accuracy and efficiency of record maintenance and processes – ‘at fund level’ events (e.g. benefit statements) and ‘at member level’ events (e.g. retirements)
- Quality review processes: calculations, changes
- Administration procedures manual
- Accounting reconciliation

### *Communications*

- Communications strategy
- Engagement with members, employers and other stakeholders
- Range and quality of communication materials

*Staff Resource* (including the Investments Team in so far as that team interacts with Pension Services, but excluding comment around resources relating to other Fund investment related duties)

- Knowledge, skills and training
- Amount of resource and reward
- Management/performance analysis
- Team structure
- Allocation of workloads and monitoring thereof
- Relationships between teams

All of the above areas (governance, operational, communications and staff resource) were considered in relation to the total administration service which, for the purposes of this review, include work undertaken by both Pension Services and the Investments Team, but excluded all areas such as managing investments of the fund.