

HERTFORDSHIRE COUNTY COUNCIL

PENSIONS BOARD

FRIDAY 17 JUNE 2016 AT 10:00AM

Agenda Item No:

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PENSION FUND GOVERNANCE AND RISK MANAGEMENT REPORT

Report of the Director of Resources

Author of the report: Lyn Stainton (Telephone: 01992 555394)

1. Purpose of the Report

- 1.1 To provide a quarterly report on governance and risk management of the Pension Fund covering the period January to March 2016.

2. Summary

- 2.1 This report is set out in three parts:

- Part 1 provides a report on governance and risk management of the Pension Fund;
- Part 2 provides the Administering Authority Report on Performance Indicators for the Administration Strategy;
- Part 3 reports on specific Scheme Employer matters; and
- Part 4 provides details of any reports that were presented to the previous meeting of the Pensions Committee that are not on the Pension Board agenda. It also provides details of the Pensions Committee's response to any feedback or comments from the Pension Board.

- 2.2 A separate quarterly report is provided by the London Pensions Fund Authority (LPFA) commenting on the performance of the contracted pensions administration service.

3. Recommendations

- 3.1 The Pensions Board is invited to comment on and note the content of this report.

PART 1: GOVERNANCE AND RISK MANAGEMENT

4.1 Risk Register

The Risk Register sets out risk control mechanisms that aim to either avoid or reduce the probability and/or impact of any risk event in relation to the Pension Fund.

The quarterly Risk Register monitoring report provided in Appendix A details any activity or event during the quarter that impact on the risk areas. The risk areas and key events and activities are shaded grey on the report at Appendix A and are summarised below:

- ACCESS investment pooling developments
- 2016 Triennial Valuation preparation which includes the consultation on the Town and Parish Councils pooling arrangement and the review of surety arrangements for scheme employers
- Annual assurance audit and preparation for the external audit of the Pension Fund's Annual Report and Accounts
- Annual Benefits Statements project
- Procurement exercise for specialist Legal Services under the LGPS National Framework

4.2 Employer risk monitoring

A separate risk monitoring exercise is carried out on a monthly basis to measure the trend and current status of risk associated with scheme employers where their covenant may have a detrimental impact on the Pension Fund.

Further detail on the risk criteria being measured is provided in Appendix B.

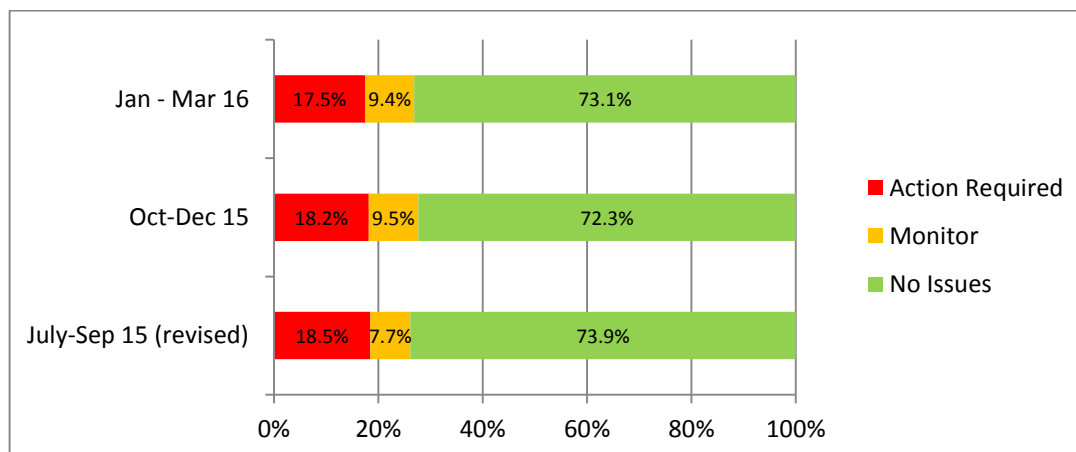
Current Status

Scheme employers are rated as:

- **RED** - high risk: This indicates that action is required to mitigate the risks to the Pension Fund where there is a high risk of a scheme employer defaulting on its obligations to the Pension Fund.
- **AMBER** - medium risk: This indicates that scheme employers require review or ongoing monitoring to determine whether any actions need to be taken to mitigate the risks identified.
- **GREEN** - low risk: This indicates that there are no immediate issues or actions to be taken.

Table 1 provides a summary of the current position, with comparative data for the previous quarters.

Table 1: Employer Risk Monitor – Current Trend and Status



At 31 March 2016, there was an increase of six scheme employers monitored from 325 at 31 December 2015 to 331 at 31 March 2016. This increase is the result of scheme employers seeking admission to the Pension Fund following outsourcings from Hertfordshire County Council, Police Constabulary and the University of Hertfordshire.

Table 2 provides an analysis of the number of scheme employers in each risk category together with the value of net liabilities (based on the 2013 Valuation) for each risk category.

Table 2: Analysis of Scheme Employers by Risk Category

Risk Category	Scheme Employers		Net Liabilities	
	No.	%	£ m	%
Red	58	17.5	14.6	2.4
Amber	31	9.4	87.4	14.2
Green	242	73.1	515.0	83.4
Total	331	100.0	617.0	100.0

Red Risk Category

Since the last quarter, there has been a net decrease of one scheme employer monitored in the red risk category from 59 at 31 December 2016 to 58 at 31 March 2016. The net change comprised of:

- + 5 New scheme employers whose admission to the Pension Fund is in progress following the TUPE of staff from scheme employers.
- +3 Scheme employers whose bonds have expired and are in the process of being renewed.
- 4 Scheme employers whose admission to the Pension Fund has been completed, as outlined in Part 3 of this report.
- 5 Scheme employer who have ceased with no outstanding pensions liabilities, as outlined in Part 3 of this report

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Net liabilities for this the red risk category are £14.6m representing 2.4% of total net liabilities.

Amber Risk Category

These scheme employers have been identified as requiring review to determine whether any actions need to be taken to mitigate the risks identified. Over the quarter, the overall number of employers in this category is unchanged at 31, although there were movements within the category. The net change comprised of:

- + 1 Scheme employers whose contract is due to end within the next 9 months where a cessation valuation may be required
- 3 Scheme employers whose bonds have expired and may need to be renewed. These have moved to the red risk category.
- + 2 Scheme employers who no longer have any active members where a cessation valuation may need to be undertaken.

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Net liabilities in the amber risk category are £87.4m representing 14.2% of total net liabilities.

Green Risk Category

Over the quarter, there has been a net increase of seven scheme employers monitored in the green category from 235 at 31 December 2015 to 242 at 31 March 2016 as a result of the movements outlined above. Net liabilities for the green risk category are £515.0m representing 83.4% of total net liabilities.

PART 2: ADMINISTERING AUTHORITY REPORT

5. Administering Authority Report on Administration Strategy Performance Indicators

- 5.1 The performance of the Administering Authority and scheme employers in managing and administering the Pension Fund is measured against performance indicators set out in the Administration Strategy.
- 5.2 Appendix C provides a summary of the performance indicators and performance against the following:
- the Administering Authority
 - Scheme Employers; and
 - the contracted pensions administration service provided by the LPFA.

Details of events and activities impacting on the performance indicators are also provided in Appendix C with commentary on progress to mitigate any issues.

PART 3: SPECIFIC SCHEME EMPLOYER MATTERS

6. Specific scheme employers

6.1 New employers

Four Admission Agreements have been concluded this quarter in relation to the TUPE transfer of staff under service contracts for the following scheme employers:

- Hertfordshire County Council has outsourced services to Three Rivers West Trust, St Mary's CE Academy Cheshunt Trading Limited and YMCA
- Hemel Hempstead School has outsourced services to Evergreen Cleaning Company

The Admission Agreements set out surety arrangements to secure the Pension Fund from any pension's liabilities that are not met by the contractor. In the event the surety is not sufficient to cover all liabilities then these fall back to the ceding employer according to LGPS regulations.

6.2 Terminating employers

During the quarter, the following employers left the Pension Fund following termination of their service contracts with scheme employers:

- National Car Parks (service contract with St Albans District Council)

- Office & General (service contract with Watford Borough Council)
- Pre-school learning alliance (service contract with Hertfordshire County Council)
- Edwards and Blake (service contract with Praewood School)
- Town and County Markets (service contract with Watford Borough Council)

In accordance with the Pension Fund's Funding Strategy Statement and Cessation Policy, valuations were carried out for all terminating employers. The valuations indicated that contributions were sufficient to cover the cost of future benefits and no further payments were required from these employers.

PART 4: PENSIONS COMMITTEE




- 7.1 For the June meeting, the Pensions Board's agenda includes all reports that have been provided to the Pensions Committee.
- 7.2 There were no actions arising from the February 2016 meeting of the Pension Board which required a response from the Pensions Committee.

APPENDIX A RISK REGISTER

The Risk Register provides an update on the current risk score compared to the initial risk assessment carried out in April 2014. Risks were scored and then classified in accordance with the Council's Risk Management criteria set out in the following table.

Risk Level	Risk Score Range	Description
Severe	32 - 80	The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.
Significant	12 - 24	The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an action plan.
Material	5 - 10	Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.
Manageable	1 - 4	Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.

This report provides commentary about events that have occurred in the key risk areas with detail provided against the individual control mechanisms. The status column in the table below shows the movement in the overall risk rating in the quarter, according to the key below.

	An increase in risk score since last report
	Risk score has remained unchanged since last report
	A decrease in risk score since last report

Risk		Current Risk Rating				Target Score	Status	Quarterly Activity Summary
		2015 Q1	2015 Q2	2015 Q3	2016 Q1			
A	The Pension Fund Investment Strategy does not deliver the long term projected investments returns and does not comply with legislation.	16	16	16	16	16	◀▶	Development of ACCESS pooling submission in accordance with Government legislation (see risk control A1).
B	The funding level of the Pension Fund deteriorates.	16	16	16	16	16	◀▶	Development of proposed actuarial assumptions for the 2016 Valuation (see risk control B1) Parish and Town Council Pooling policy issued for consultation (see risk control B8)
C	Scheme employers default on meeting their obligations to the Pension Fund and LGPS.	16	16	16	16	8	◀▶	Implementation of action plan to ensure the 2016 Annual Benefit Statement exercise is carried out in accordance with statutory deadlines (see risk control C1). Ongoing review of surety arrangements for historical scheme employers and revaluation of financial bonds (see risk control C4).
D	The Pension Fund and its third party providers do not comply with regulations, statute or procedure.	4	4	4	4	4	◀▶	Annual assessment of internal controls carried out by Ernst & Young (see risk control D5). Annual assurance audit of pensions administration completed by the Shared Internal Audit Service (see risk control D5) Procurement of legal service using the National LGPS Framework being undertaken (see risk control D6). Review of 2015/16 Code of Practice to ensure Annual Report and Accounts are compliant (see risk control D7). Development of a Policy for Reporting Breaches of the Law to The Pensions Regulator (see risk control D9)
TOTALS		52	52	52	52	44		

The following table provides a detailed list of the control mechanism and their status. Commentary is also provided about any risk events that have occurred in the last quarter and progress to implement those controls that are under development.

Risk Control Mechanisms		Control Status	Update
A. The Pension Fund Investment Strategy does not deliver the long term projected investments returns and does not comply with legislation			
A.1	Ensure the strategy complies with the Local Government Pension Scheme regulations, Statement of Investment Principles and Investment Management Agreements.	Implemented	An update on the progress of the ACCESS pooling submission is provided in a separate report to the Pensions Committee and Board meeting.
A.2	Diversify investment across asset classes and markets to reduce the impact of financial market volatility including setting a limit on the proportion of Fund's assets held in illiquid asset classes such as private equity and property.	Implemented	No issues to report
A.3	Monitor and provide a quarterly report to the Pensions Committee on Investment Manager's performance against benchmark.	Implemented	Performance reports are provided as a separate agenda item to quarterly Pensions Committee and Board meetings.
A.4	Monitor Investment Managers compliance with the investment restrictions and limits laid out in the Pension Fund's Statement of Investment Principles and Investment Management Agreements and report any cases of non-compliance	Implemented	No issues to report
A.5	Set the Investment Strategy in light of the risk and return objectives of the Pension Fund and review at regular intervals to ensure the Strategy is still appropriate.	Implemented	No issues to report
B. The funding level of the Pension Fund deteriorates			
B.1	Set investment out-performance targets at the triennial valuation with reference to the Pension Fund's current investment strategy and on a relatively prudent basis to reduce the risk of under-performing against anticipated returns. At the same time, review and agree the other actuarial assumptions such as salary increases, discount rates, longevity etc.	Implemented	The proposed actuarial assumptions for the 2016 Valuation are provided in a separate report to the Pensions Committee and Board meetings.

Risk Control Mechanisms		Control Status	Update
B. The funding level of the Pension Fund deteriorates			
B.2	Provide the Pensions Committee with quarterly actuarial reports that monitor the funding position of the Pension Fund and the sensitivity of this to changes in general market conditions.	Implemented	Performance report provided as separate agenda item to quarterly Pensions Committee and Board meetings
B.3	Undertake annual data validation checks to identify any discrepancies or errors in the data with our third party administrator.	Implemented	No issues to report
B.4	Monitor and ensure scheme employers pay the extra capital/strain cost of non ill-health retirements following each individual decision and in the year the decision is made.	Implemented	No issues to report
B.5	Monitor each scheme employer's ill-health experience on an ongoing basis against the "ill health budget" set for each scheme employer at the triennial valuation and require them to make additional contributions to the Fund where budgets are exceeded.	Implemented	No issues to report
B.6	Monitor cash flows at a whole fund level and individual scheme employer level and certify cash deficit contributions for those with reducing payrolls as identified at the triennial valuation.	Implemented	No issues to report
B.7	At each triennial valuation, assign any liabilities relating to ceased transferee admission bodies to the original ceding scheme employer.	Implemented	Implemented during the 2013 Valuation and practice will continue for future Valuations.
B.8	Monitor the 'characteristics' and individual funding position of pool members to ensure pooling is still appropriate. Require members of the Schools or Parish and Town Council pool to sign a pooling agreement which sets certain conditions and requirements for scheme employers' participation in the pool.	Implemented	The Parish and Town Council Pooling policy has been issued for consultation to Parish and Town Councils to confirm their continued participation in the Pool. The consultation will close on 31 May 2016.
B.9	Monitor the covenant of scheme employers and review their ability to meet ongoing liabilities.	Implemented	Employer Risk Monitoring framework implemented and quarterly reports provided to the Pensions Committee and Board.

Risk Control Mechanisms	Control Status	Update
B. The funding level of the Pension Fund deteriorates		
B.10	Set deficit recovery plans after taking into account the particular characteristics of each type of scheme employer and the future working lifetime of its employees. Use shorter deficit recovery periods for organisations with a limited "life" in the Pension Fund or without statutory tax raising powers.	Implemented
		Implemented during the 2013 Valuation and practice will continue for future Valuations. Deficit recovery plans to be reviewed as part of the 2016 Valuation.
C. Scheme employers default on meeting their obligations to the Pension Fund and LGPS		
C.1	Develop further data quality controls with the Pension Fund's third party pension's administration service to monitor membership data submitted by scheme employers to ensure it is accurate and up to date.	Implemented
C.2	Develop a risk evaluation approach to identify covenant risk, categorising scheme employers as low, medium or high. Establish a set of risk criteria and monitor scheme employers against this. Engage with scheme employers at an early stage to address funding issues.	Implemented
C.3	Monitor contributions to ensure that scheme employers are paying the correct employer contribution rate.	Implemented
C.4	Do not allow unsupported employers to be admitted to the Pension Fund. Require all community admission bodies and transferee admission bodies to obtain a bond or guarantor from the Scheme employer. Revalue bonds every three years to ensure the risk cover is still appropriate.	No issues to report
C.5	Admission procedures for new scheme employers require surety arrangements. Work to revalue financial bonds continues for relevant scheme employers. Surety arrangements for historical scheme employers are under review and will be further considered as part of the 2016 Valuation exercise.	Implemented
C.6	Carry out regular financial checks on participating employers, especially non-tax raising bodies.	Implemented
	Carry out an annual employer survey to identify any changes in funding stream for scheme employers.	Employer Risk Monitoring framework implemented and quarterly reports provided to the Pensions Committee and Board.
		2015 annual survey of scheme employers has been completed and follow up work underway to resolve queries.

Risk Control Mechanisms	Control Status	Update
C. Scheme employers default on meeting their obligations to the Pension Fund and LGPS		
C.7	Pool the contributions for scheme employers with similar characteristics to allow sharing of risk amongst scheme employers	Implemented Implemented for the Schools Pool and Parish and Town Council Pool during the 2013 Valuation. Practice will continue for future Valuations
C.8	Carry out cessation valuations on a more prudent gilts basis to ensure the payment calculated when a scheme employer's liabilities are crystallised is sufficient to meet the future payment of benefits made by the Pension Fund.	Implemented No issues to report
D. The Pension Fund and its third party providers do not comply with regulations, statute or procedure		
D.1	Review the Custodians and Investment Managers internal control report to identify any concerns over controls and processes in place.	Implemented No issues to report
D.2	Ensure the Custodian undertakes monthly reconciliations with the Pension Fund's Investment Managers to ensure all assets are correctly accounted for and holdings agree.	Implemented No issues to report
D.3	Allow only authorised personal, as set out on the authorised signatory list, to authorise payments to and out of the Fund.	Implemented No issues to report
D.4	Require all large scheme employers in the Pension Fund to provide an Annual Assurance Certification that payroll systems are compliant and have been tested by the scheme employers' internal auditors	Implemented No issues to report
D.5	Engage internal and external audit reports to regularly test that appropriate controls are in place over the payment of benefits and expenses and collection of contributions and that they are working.	Implemented Annual assessment of internal controls carried out by Ernst & Young. The findings will be published in September 2016 as part of the 2015/16 Audit Results Report for the Pension Fund. Annual assurance audit of pensions administration completed by the Shared Internal Audit Service with a substantial assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks.

Risk Control Mechanisms		Control Status	Update
D. The Pension Fund and its third party providers do not comply with regulations, statute or procedure			
D.6	Work in conjunction with the Strategic Procurement Group to ensure all procurements are carried out in accordance with HCC contract and EU regulations.	Implemented	A procurement exercise is being undertaken for legal services using the LGPS National Framework. The results of the procurement exercise will be reported at the September meeting.
D.7	Review the Pension Fund SORP and Code of Practice in preparing the Statement of Accounts to ensure compliance and engage external audit to review the Pension Fund accounts each year.	Implemented	Reviewed in preparation for the 2015/16 closedown to ensure Annual Report and Accounts are compliant with statutory guidelines.
D.8	Manage performance of the Pension Fund's third party administration service through a service level agreement and monitor against Key Performance Indicators.	Implemented	LPFA Performance provided as separate agenda item to quarterly Pensions Board meetings
D.9	Work closely with the Pension Fund's third party administration service to ensure it complies with current regulations and is alert to and can implement any changes to scheme benefits.	Implemented	A Policy for Reporting Breaches of the Law to The Pensions Regulator was presented to the Pensions Committee for approval in June.
D.10	Ensure the Pension Fund's third party administration service has a robust programme in place to test controls on the membership benefit system and that they are fully compliant and up to date.	Implemented	No issues to report

APPENDIX B SCHEME EMPLOYER RISK MONITORING

Table 3 provides details about all of the risk criteria being monitored and the total number of scheme employers that fall into each criteria. These risk criteria have been allocated a risk level of red or amber, depending on their potential impact and whether immediate action is required.

Scheme employers are assessed and allocated a score against each risk criteria. Their total score is then used to determine an overall classification of red (high risk), amber (medium risk) or green (low risk).

Scheme employers will therefore be classified as high risk either by falling into at least one of the red risk criteria outlined below, or by having three or more risk criteria at the amber level which overall raises concern over the scheme employer's ability to meet their obligations to the Pension Fund in the future.

Table 3: Summary of Risk Criteria Monitored

Risk Criteria	Risk Level	Description
No admission agreement in place	Red	<p>This relates to the admission of scheme employers to the Pension Fund where a legal process is carried out to agree and execute Admission Agreements. The Admission Agreement is a contract between the scheme employer, ceding scheme employer and Administering Authority; It defines the scheme employers' legal responsibilities and financial liabilities in the Pension Fund, the surety arrangements in place and the staff who are eligible to be in the Pension Fund.</p> <p>At 31 March 2016, 24 admission agreements were in progress.</p>
No bond or guarantor	Red	<p>At 31 December, 34 admitted bodies were identified as having no form of indemnity. Of these, five related to scheme employers who are required to have a bond under the terms of their admission agreement but whose bonds have expired. The bond values for these scheme employers have been re-assessed by the Actuary and the bond agreements are in progress with legal services.</p> <p>29 of these related to long standing scheme employers who were not required to obtain a bond or guarantor when they were admitted to the Pension Fund many years ago. Under the LGPS regulations, the liabilities associated with these scheme employers would fall back to the Pension Fund if they were unable to meet their financial liabilities to the Pension Fund. Surety arrangements for these historical scheme employers are under review and will be further considered as part of the 2016 Valuation exercise to ensure that an appropriate contribution strategy is agreed.</p> <p>This group had net pension liabilities of £14.2m at the 2013 Valuation.</p>

Risk Criteria	Risk Level	Description
Deficit recovery	Red	<p>This relates to 12 scheme employers who have no active contributing members in the Scheme where work is in progress to agree lump sum payments in lieu of contributions or cessation repayment plans or scheme employers where repayment plans have been agreed but which are outside of the standard deficit recovery periods set out in the Pension Fund's Funding Strategy Statement. These plans have been negotiated with scheme employers in the interests of affordability but where there is an increased risk that the Pension Fund will not recover all outstanding liabilities from the scheme employer.</p> <p>This group has net pension liabilities of £15.8m.</p>
Non-payment of contributions or lump sum deficit repayments	Red	<p>Scheme employers are monitored for non-payment of contributions and deficit lump sums. Where cases are identified, action will be taken in accordance with the Pension Fund's Administration Strategy and where significant reported to the Pensions Regulator in accordance with the Pensions Fund's policy on reporting breaches of the law.</p> <p>At 31 March, there were no issues to report.</p>
Funding Level	Amber	<p>21 scheme employers had a funding level of less than 82% as at the 2013 Valuation with net pension liabilities of £66.2m. This is the funding level of the overall fund and the basis on which the Pension Fund's risk and return objectives and investment strategy is set. The same Investment Strategy is applied to all scheme employers. Where a scheme employer has a different liability profile and lower funding level than that of the overall Pension Fund, there is a risk that the investment strategy may not deliver and achieve the funding objectives for that individual employer.</p> <p>A further 78 scheme employers had funding levels of less than 82%. However, these are considered to be long term secure employers who are required under the regulations to provide access to the LGPS for their employees, for example the County Council and Academies. These employers have been assessed as having a strong employer covenant and therefore their overall risk score has been adjusted to reflect this and consequently this group has moved to a green rating.</p>

Risk Criteria	Risk Level	Description
Contract or bond end Dates/No active members	Amber	<p>This relates to scheme employers who provide service contracts to scheduled bodies (normally Councils or Schools) where the service contract and/or bond is due to cease within nine months or scheme employers who no longer have any active members. Where necessary the Actuary will be instructed to undertake a cessation valuation or undertake a bond renewal to ensure appropriate indemnity arrangements are in place.</p> <p>At 31 March, there were nine scheme employers that have been contacted to determine their future participation in the scheme. .</p> <p>This group had a net surplus at the 2013 Valuation of £3.1m.</p>
Payroll	Amber	<p>Monitoring of changes in payroll may identify scheme employers at risk of worsening their funding level or increasing their pensions liabilities.</p> <p>At 31 December, 24 scheme employers were identified as having had a material change in payroll since the valuation date.</p> <p>Four of these scheme employers are under review to assess the impact that this may have on scheme employers funding levels and contribution strategies at the 2016 Valuation.</p> <p>The net liabilities of these four employers was £55.4m.</p>
Ill health liabilities	Amber	<p>At each valuation, scheme employers are allocated an annual ill health budget which is reflected in the contribution rate for that employer. Where the strain cost of scheme employers' ill health retirements exceed the budget, employers will be making insufficient contributions to cover the additional strain arising from these retirements.</p> <p>At 31 March, five scheme employers had exceeded their cumulative ill health budget for financial years 2013/14 and 2014/15.</p> <p>The Pension Funds policy for charging scheme employers who exceed their ill health budget will be discussed as part of the 2016 valuation to agree appropriate funding strategies.</p>

APPENDIX C ADMINISTERING AUTHORITY REPORT ON ADMINISTRATION STRATEGY PERFORMANCE INDICATORS

1 Administering Authority Performance Indicators

The Administering Authority's performance is measured against compliance with statutory requirements placed on administering authorities for the administration of pension funds. This is measured by:

- periodic internal audit reviews and the annual external audit carried out by Ernst and Young; and
- the number of complaints and internal disputes raised against the Administering Authority.

1.1 Audit Reviews

The annual assurance audit of the pension's administration has been undertaken by the Shared Internal Audit Service. The final report was issued in March 2016 with a substantial assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks. There were low level "Merits Attention" findings relating to administrative processes and arrangements are in place to address these.

The annual external audit of the Pensions Fund is currently underway. This will again test the effectiveness of internal controls and processes and review the Annual Report and Accounts. There are no issues to report at this point. The outcome of this audit will be reported to the Pensions Committee at the September 2016 meeting.

1.2 Complaints and Internal Disputes

During the quarter to 31 March 2016, one IDRPs was raised against the Administering Authority. A stage 1 IDRPs has been submitted raising a complaint about the way an added years contract was set up. This is a historical case where the added years contract was set up prior to the start of the LPFA contract. The case has been investigated by the Administering Authority and full details provided to the member. In line with LGPS regulations, the Administering Authority is not able to change the members' benefits but has offered compensation of £500 to reflect mal-administration.

Further details of this is provided in the LPFA's quarterly Administration Report which is a separate item on this meeting's agenda.

2 Scheme Employer Performance Indicators

Scheme employer performance is measured against compliance with performance targets for the administration of the LGPS which are set out in the Administration Strategy. This is measured by the number of:

- charges levied against scheme employers; and
- scheme employers who fail to made payment of contributions by the 19th day of each month.

2.1 Penalty Charges

There were twelve penalty charges raised for the period to 31 March 2016 against six scheme employers for late payment of contributions or late return of forms.

2.2 Late Payments

There were eight incidents of late payment by scheme employers in the quarter to 31 March 2016. Details of these late payments are reported in the LPFA's quarterly Administration Report which is a separate item on this meeting's agenda.

3 LPFA Administration Service Performance Indicators

3.1 Performance of the LPFA's administration service is measured against compliance with performance targets set out in the Service Level Agreement for the service. This is monitored as part of the contract management arrangements and measured by two key indicators:

- the number of complaints raised against the LPFA; and
- the efficiency of the service against Service Level Agreement targets.

3.2 The LPFA's quarterly Administration Report provides detailed information about performance against service level targets and details of any complaints. The Report is presented as a separate item on this meeting's agenda. Key issues that are impacting on the service are:

- Clearance of the backlog for issuing deferred members' with a benefit statements at the point of leaving the Scheme. To address this, additional resources have been deployed and progress is monitored at monthly performance meetings; and
- Addressing the issues experienced in 2014/15 for the provision of Annual Benefit Statements for members by the statutory deadline of 31 August. An improvement plan is in place and monitored as part of the Annual Benefit Statement Project.