

# Performance Report

## London Pensions Fund Authority



### Highlights 2005-06

- On-time processing rises to 99.2%, satisfaction levels down and complaints down.
- Organisational review undertaken, new support services Directorate created.
- New accounting software successfully operated
- Investment strategy change and new management arrangements in place.
- Risk management mainstreamed.
- Equalities and diversity work refocussed.

2005-06

## Introduction

LPFA is one of the UK's largest administering authorities of the Local Government Pension Scheme with a Fund membership of 74,000, including over 200 employing authorities and assets of over £3.4 billion. LPFA currently operates 8 agency administration contracts covering over 110,000 scheme members.

This Performance Report is a key element of the LPFA's Annual Report and Accounts documentation and describes the Authority's performance against the strategy statement for the period April 2005 to March 2006. In order to assess the Authority's overall performance during 2005-06 it should be read in conjunction with the Annual, Governance, Investment and Financial Reports.

## Performance Plan 2005-06

The Authority is required to submit a strategy statement to the Mayor of London each year setting out LPFA's aims, objectives and plans over a three year period.

The high level strategy statement forms the basis of an annual Performance Plan with strategic objectives being the Authority's targets for the year. This plan contains details of lead officers and key target dates.

Each objective is delivered by implementation plans which focus key tasks into direct actions with targets and measures of success.

These plans aid production of staff performance plans and more specific reference points and targets.

Achievements against the Performance Plan, together with financial performance, are monitored and reported quarterly to the LPFA's Performance Committee and the Greater London Authority (GLA).

On the following pages a summary of performance during the year is given under each objective.

## Performance indicators

LPFA has a long history of setting standards, monitoring performance and publishing results. LPFA's strategy is not only to maintain best practice in this respect but to develop comparable statistics nationally for pension scheme administration and fund investment.

The key performance indicators are shown on Pages 6 to 11. This includes the LPFA's own performance index, created two years ago to initiate comparable information in a simple form.

## The Performance Committee is responsible for:

- ~ the preparation and monitoring of the performance plan; and
- ~ the development of new business initiatives.

The Committee met four times during the year, and considered 27 reports on agency contracts, new business initiatives, LPFA's performance against the performance plan staffing and equalities.

## Strategic Objective 1

**To maintain the administration of the scheme and the fund's investments to agreed standards and within budget, and to identify areas of continuous improvement**

### a) Equalities

- Equalities – Achieve Level 4      Level 3 of the Local Government Equality Standard was achieved during the year and is subject to external validation. As regards Level 4, all monitoring systems are in place and considerable progress against targets has been made to evidence achievement.

### b) Review processes under the 'Right First Time' approach

- Transfer arrangements      Current procedures and documentation have been reviewed. Recommendations relating to 'steps' within the Pensions Record of Work System and agreed review procedures for such cases have been implemented.
- On-line processes      On-line end of year system in place.
- Data matching with all employers      The specification has been prepared and a system partially developed. Priority has been given to developing a new end of year system and implementation put back to 2006-07 to aid the valuation process.

### c) Conduct functional & service reviews:

- Finance & Investment
  - Training
  - Facilities Management
  - Corporate Services Unit
- These reviews were subsumed as part of the organisational review commissioned by the Board. The review resulted in the creation of a new Directorate, Corporate Resources, which now delivers all support functions allowing the Authority to re-focus on the twin pillars of the organisation, i.e. pensions administration and investment. More detail is provided in the Governance Report 2005-06 and the Annual Report 2005-06.

### d) Review operational structures to integrate TfL as an agency service

Progress on this review is awaiting Transport for London's consideration of an independent assessment commissioned by them from Deloitte. Further takes are scheduled for July 2006.

### e) Re-assess implementation of LGPS modernisation agenda and report recommended action

The Government's tri-partite discussions were extended and draft regulations were only received from the Office of the Deputy Prime Minister in late December. Comments were returned by 28<sup>th</sup> February 2006. New regulations effective from April 2006 were received on 31<sup>st</sup> March 2006.

## Strategic Objective 2

### **To secure greater control and reduction of costs by optimising efficiency and effectiveness.**

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|--|--|
| a) Undertake base budget review of all cost centres                            | A budget setting framework for a five year cycle base budget review has been developed and distributed to budget holders.  |
| b) Identify cost efficiencies equivalent to 2 ½ % p.a over the three year plan | A number of initiatives will culminate in budget options including restructure activities, 'Right First Time' and income generation potential during 2006-07 based on cost efficiencies identified.  |
| c) Review provision of:  |  |
| • Internal audit services  | The Internal Audit review was completed.   |
| • Banking services   | Currently banking services are considered by users to be broadly good and a change of banker in 2005-06 was considered to be highly disruptive. In order to make best use of resources, in the light of the organisational review, management and related priorities, this task is deferred to 2006-07 pending recruitment of a permanent payroll manager and finance manager. |
| d) Secure operation of the new accounting system                               | The new accounting system successfully operated to the year end and was given a clean bill of health by internal audit.  |

## Strategic Objective 3

### **To maintain a funding strategy that balances growth and sustainability to protect and enhance the viability of the fund**

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|--|--|
| a) Review investment strategy to reflect funding requirements      | A revised investment strategy to reflect the funding requirements was agreed in June 2005.   |
| b) Implement changes to asset, portfolio and management structures | Changes to the investment management arrangements to reflect this revised strategy became operational from January 2006 following a full tender process.   |
| c) Communicate investment plan to employers                        | The outcome of the investment review was reported to the July 'special' Employer Forum (for all employers in the Active Sub-fund) and a progress report given to a meeting of University and Higher Education sector employers in September. Further progress was reported at the annual Employer Forum in November prior to publicising the manager selections in December. The implications for London boroughs with regard to the funding strategy for the Pensioner Sub-fund was reported to them as part of the budget process. |
| d) Establish a process of pro-active inter-valuation monitoring    | A process of six monthly reports by the actuary was agreed by the Board on 6 <sup>th</sup> October. A report of the position at the end of September 2005 for all employers and a report at the end of March 2006 at sub-Fund level have been received.  |

## Strategic Objective 4

### **Strengthen core operational capability by increasing LPFA's share of the available market.**

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|---|---|
| a) Report framework for joint working with TfL as an agency service | The framework was prepared and submitted to TfL for consideration and reported to Board in June. Further progress is subject to the completion of a review of legal powers in conjunction with TfL lawyers. |
| b) Prepare a 5 year business strategy and report recommendations    | Business strategy principles were agreed by Board in March 2006 and production of a five year business plan is now a project for 2006-07.   |

## Strategic Objective 5

### To achieve best practice in corporate governance throughout all areas of LPFA's operations

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|--|--|
| a) Complete integration of risk management into governance framework   | Risk Management has been integrated across the Authority. Facilitated sessions with teams produced a draft register of the risks and control measures identified. The Corporate Risk Register produced by Board Members has been published on the corporate website.   |
| b) Conduct corporate governance self-assessment  | The self-assessment was conducted in December. The results of the self-assessment, including recommended future action with lead officers and timings were reported to Board in February 2006 and are shown in detail in the Governance Report.  |
| c) Policy statements:  |  |
| <ul style="list-style-type: none"> <li>• Publish revised Statement of Investment Principles to include policy on representation</li> </ul> | Revisions to the investment structure were incorporated into a revised SIP which was published in February 2006.   |
| <ul style="list-style-type: none"> <li>• Publish policy statements on communication</li> </ul>   | Published on 31 <sup>st</sup> March after consultation with employers and report to Board.   |
| d) Issue new code of conduct to re-emphasise   | These previously segregated tasks have formed part of a wider remit attaching to organisational re-structure. This has involved a reallocation of responsibilities and a review and some restatement of previous work. The production of a meaningful code of conduct will seek to consolidate work presently underway.  |
| <ul style="list-style-type: none"> <li>• equalities and diversity,</li> </ul>  | Work on equalities and diversity changed drastically following an independent report from Lord Herman Ouseley ~ refreshed management processes are now part of the responsibilities of new senior management, the corporate equality plan is being overhauled, Human Resources will assume the focus for this work and an 'Equality Change Group' is developing culture change.                  |
| <ul style="list-style-type: none"> <li>• risk management, and</li> </ul>   | Risk management has previously been expressed through the formal assembly of a risk register - see a) above. The approach to the register and risk is being rationalised in 2006-07 to reflect the new directorates (Operations/Investment/Resources).   |
| <ul style="list-style-type: none"> <li>• fraud, health &amp; safety, and customer service.</li> </ul>                                      | Fraud awareness developments are similarly aligned (as per risk) within the new directorates, e.g. scoping the potential for fraud on high volume, low value transactions in Operations is a different awareness to Investment (outsourced contracts and low volume high value transactions). Health & Safety and Customer Service are on-going activities which will be attached to a new code. |

## Strategic Objective 6

### To develop an informed, motivated and diverse workforce

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|--|---|
| a) Undertake planned culture change training for all staff               | All staff attended at least one culture change course led by the LPFA's Diversity Consultant. 84% attended a session on the pilot mentoring programme for black and ethnic minority staff.                    |
| b) Establish training and development programme for leaders and learners | The interim Human Resources manager is conducting a review of HR activity. This review seeks to professionalise and refocus the function and to clarify and appropriately target future training initiatives. |

## Key Performance Indicators

	2002 -03	achieved		2005 -06	plan 2005 -06
		2003 -04	2004 -05		
<b>Corporate</b>					
The level of the LGES reached	0	2	3	4 #	4
% of top 5% of earners that are women *	33.3%	33.3%	33.3%	33.3%	40%
% of top 5% of earners from black and minority ethnic communities *	0%	0%	0%	0%	11%
Number of working days lost to sickness	8	10.3	9.0	8.89	8
Voluntary leavers as a % of staff.	14	7.8%	8%	15.8%	5%
% of employees retiring early	0%	0%	0%	0%	0%
% of employees retiring on grounds of ill health.	0%	0%	0.8%	0.8%	0%
% of invoices which were paid on-time.	70%	89%	74%	91%	95%
No. of types of interactions are enabled for electronic delivery as % of the types of interactions that are legally permissible for electronic delivery *	-	-	-	75%	50%
				^	
<b>Investment</b>					
Investment costs as a % of fund value	0.11%	0.12%	0.15%	0.17%	0.10%
Investment returns:					
Active sub-Fund	-26%	22.5%	10.6%	23.16%	7.5%
Pensioner sub-Fund	5.9%	7.4%	6.1%	9.28%	6.5%

\* New indicator for 2005-06

# Subject to external validation

^ Reflects new investment arrangements

Key Performance Indicators

Administration	achieved			plan	
	2002-03	2003-04	2004-05	2005-06	2005-06
% of Fund members satisfied with the overall service	91%	92%	96%	92%	95%
Number of customer satisfaction forms issued		1,655	678	601	
Number of customer satisfaction forms returned		371	160	131	
Number of complaints	82	50	35	29	40
Number of Complaints as a percentage of the workload	0.20%	0.13%	0.10%	0.07%	0.10%
% of complainants satisfied with handling of complaint.	62%	50%	61%	50%	75%
Number of responses	27	4	10	6	
Number of complaints classified as:					
~ IDRPs	1	5	13	6	0
~ Pensions Ombudsman.	1	2	0	1	0
Total cost per Fund member. (1)				£59.15	£66
Old method total admin costs (2)	£42	£48.94	£51.26		
Administration cost per Fund member (1)				£28.92	£32
Administration cost as % of Fund Value.	0.14%	0.14%	0.14%	0.06%	
Staff/Fund member ratio.	1:1,740	1:1,786	1:1,787	1:1,906	1:1,770
Overall % of LPFA cases completed on time.	94.3%	98.1%	98.8%	99.2%	99%
Regulation changes notified within 3 months	100%	100%	100%	100%	100%

Note Variance

(1) The methodology used previously to that shown for 2004-5 onwards did not produce a figure useful for comparison with other funds. The two new figures provide a greater degree of compatibility with other published data as well as indicating the pattern of expenditure for both total management costs (including corporate initiatives) and pure administration. The basis of the two figures being: (1) Total costs per fund member = charge to fund/membership (2) Admin costs per member = costs of fund administration services (using agency costing methodology)/membership.

(2) Based on 2005-06 budget figure

LPFA Fund	achieved								
	2002-03		2003-04		2004-05		2005-06		
Contributors	21,862		21,460		21,473		21,037		
Deferred	19,140		19,895		20,172		20,853		
Pensioners / depdt's	32,017		32,217		32,155		32,235		
Total membership	73,019		73,572		73,800		74,125		
Staff numbers	42.0		41.2		41.3		38.9		
Cases completed	40,758		38,146		36,788		40,446		
% of total workload	39%		36%		36%		37%		
% completed o/time	94%		98%		99%		99%		
Ave cases per staff	970		926		891		1040		
Top ten case types	std	cases	% o/t	cases	% o/t	cases	% o/t	cases	% o/t
Admissions	10	4,266	91.8	3,313	99.9	3,175	99.9	3,101	99.8
Transfers in	10	3,527	96.5	2,629	99.6	2,319	99.9	2,109	99.6
Transfers out	15	2,055	94.2	2,007	99.6	2,166	99.7	2,372	99.9
Estimates – e'ees	10	1,604	94.2	1,711	99.1	1,899	99.5	1,462	99.6
Estimates – e'er	5	636	95.6	834	99.4	925	99.9	912	99.9
Retirement benefits	5	979	94.7	813	98.2	713	98.7	899	99.7
Deferred benefits	15	2,973	94.5	2,377	99.5	1,847	99.9	2,597	99.7
Refunds	10	1,198	95.3	1,043	99.7	742	99.5	394	99.5
Deaths	5	1,667	92.6	1,622	99.1	1,525	99.2	1,790	99.6
Correspondence	10	5,872	96.5	4,210	98.2	5,379	98.9	5,134	98.6
Total top 10		24,777	94.0	20,559	99.2	20,690	99.4	20,770	99.5
Other case types		15,981	94.0	17,587	96.8	16,098	98.0	19,676	98.9
Total case types		40,758	94.3	38,146	98.1	36,788	98.8	40,446	99.2

Performance Indicators

Workforce monitoring	achieved			benchmark		Plan
	As at March 2004	As at March 2005	As at March 2006	London's Population	London's LLM *	2005 -06
Ethnicity	%	%	%	%	%	%
White	76.0	75.0	75	71	77	73
Black / Black British	8.0	10.0	8.6	11	]	
Asian / Asian British	12.0	11.0	12	12	]	27
Mixed	4.0	4.0	2.6	3	]	
Chinese/Other	0.0	0.8	1.7	3	]	
<b>Gender</b>						
Male	53.0	55.0	55.0	48	57	50
Female	47.0	45.0	45.0	52	43	50
<b>Disability</b>						
Disabled	2.4	1.6	8.6	17	10	5
<b>Management</b>						
% of Asst Managers and above :						
~ from BME backgrounds		14.28 (5/35)	14.7 (5/34)	No comparable data		22 (8/37)
~ who are female		49.0	47			50

There was a large increase in the number of staff who considered themselves disabled in the year. A disability questionnaire was issued to all staff which redefined a disability in light of current legislation. The revised definition was previously shown also.

\* LLM = London's labour market

## Performance Indicators

### Environmental Indicators (new for 2005-06)

Indicator	Mid-Year Results	Year End Results	Target
Percentage of paper purchased from fully chlorine free sustainable sources	100%	100%	100%
Printing costs per customer	£0.26	£0.56	< £0.60
Total annual waste disposal	2120kg	2276kg	< 2650kg
Waste per member of staff	17kg	17.64kg	< 21kg p.a.
Recycle rate of waste	90%	95.60%	> 85%

### E gov targets

Action	Actioned by	Tele- phone	Electronic availability		available	
			e-mail	on- line	EDI	
1 New member	Employer	No	No	Apr-06	yes	✓
2 Request IFA transfer in	Member	Yes	Yes	Apr-06	No	✓
3 Request other transfer in	Member	Yes	Yes	Apr-06	No	✓
4 Request estimate (individual)	Member	Yes	Yes	Apr-06	No	✓
5 Request IFA transfer out	Member	Yes	Yes	Apr-06	No	✓
6 Request other transfer out	Member	Yes	Yes	Apr-06	No	✓
7 Notify leaver	Employer	No	No	Apr-06	Apr-06	x
8 Notify leaver options	Member	No	No	No	No	x
9 Notify payee details	Member	No	No	No	No	x
10 Claim refund	Member	No	No	No	No	x
11 Notify death	Member	Yes	Yes	No	No	✓
12 Request estimates (employer)	Employer	Yes	Yes	Apr-06	No	✓
13 Change address	Member	No	No	Yes	No	✓
14 Notify material changes	Employer	No	Yes	Apr-06	Yes	✓
15 Notify contribution data	Employer	No	No	Yes	Yes	✓
16 View personal records	Member	No	No	Yes	No	✓
Total actions	available	%				
16	12	75				

## LPFA Performance Index

Indicator	Rating		
	2003 -04	2004 -05	2005 -06
1) Investment costs as a % of fund value	9	8	7
2) Investment returns: Total Fund	0	7	9
3) Funding Level: Total Fund as a %	10	7	6
4) % of members satisfied with the service	8	9	8
5) Complaints as a % of workload	7	9	9
6) Administration costs as a % of fund value	9	8	9
7) Administration costs per fund member	4	3	6
8) Staff/Fund member ratio	6	6	7
9) Cases completed on-time - top 10 cases	8	9	9
10) Average elapsed time - top ten cases	0	0	7
<b>Total Score</b>	<b>61</b>	<b>66</b>	<b>77</b>

## Total workload

Agency	No. of cases	% of total workload
LPFA	40,446	37
L.B. Bexley	8,115	7
L.B. Brent	10,488	10
L.B. Hammersmith & Fulham	7,818	7
L.B. Hackney	10,961	10
L.B. Hounslow	10,127	9
London Fire & EP Authority	4,231	4
L.B. Newham	8,852	8
Westminster C.C.	9,240	8
	<b>110,294</b>	<b>100%</b>



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