

London Pensions Fund Authority

Performance Report 2006-07





Contents

Introduction	3
Performance Plan 2006-07	3
The Performance and Administration Committee	3
Aims and Strategic Objectives	4
Projects	4
Project One	5
Project Two	6
Project Three	7
Project Four	8
Project Five	9
Core Work	10
Key Corporate Events	11
Summary of Indicators	13
Annex One - Corporate and Investment Indicators	14
Annex Two - Administration Indicators	15
Annex Three - Environmental Indicators	16
Annex Four - Operational Indicators	17
Annex Five - Equality and Diversity Indicators	18
Annex Six - E gov targets	19



Introduction

LPFA is one of the UK's largest administering authorities of the Local Government Pension Scheme with a Fund membership of 74,000. Our fund consists of over 200 employing authorities and assets in excess of £3.6 billion. LPFA also manages eight administration contracts covering over 110,000 scheme members.

This Report describes the Authority's performance against the strategy statement for the period April 2006 to March 2007.

There is a long history of setting standards, monitoring performance and publishing results. National statistics are used to compare pension scheme administration and fund investment.

Looking to 2007-08 LPFA has new Strategic Objectives and key performance indicators which will better enable Board, the Mayor and Fund members to assess not only core pension operations performance, but also the performance of support and specialised functions. Projects will continue to be the vehicle for turning strategic objectives into actions.

Performance Plan 2006-07

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

This high level strategy cascades into the annual Performance Plan. This plan contains details of actions and target dates and is available online at www.lpfa.org.uk.

The approach to performance planning is evolving to make it more comprehensive and inclusive. Recent changes include an away day to evaluate and debate policy.

Business plans translate policy into practice. This is combined with Manager workshops, team meetings and individual action plans.

This year projects, core activities and corporate actions were the delivery mechanisms on a quarterly basis. Achievement was measured by using an array of key performance indicators covering pensions administration, investment and corporate activity.

The Performance Plan is reported to the Performance and Administration Committee, Board and the Greater London Authority (GLA). The Audit Committee is responsible for monitoring financial performance and internal control systems, which underpin the whole performance management process.

The Performance and Administration Committee

The Performance and Administration Committee is responsible for:

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

The Committee met four times during the year, and considered reports on agency contracts, new business initiatives, pension scheme updates, fund valuation, the performance plan, staffing and equalities.

As at 31 March 2007 the Committee consists of three Board Members (5 at 1 April 2006) with senior officers present to explain reports. The Board members were:

Michael Ward (Deputy Chairman of Board and Chairman of Performance and Administration Committee)
Icki Iqbal, Bill Roots, Andrew Cornwell (left 31/07/06), Pamela Batty (left 31/07/06)



Aims and strategic objectives 2006-07

Our Aims

- To deliver the LPFA's responsibilities by providing quality services at optimum cost.
- To strengthen LPFA's standing through growth in pensions administration and contribution to public debate within the sector.
- To strive for social and environmental best practice across all LPFA's activities.

Our Strategic Objectives

The aims of the Authority are pursued through the following objectives:

- 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.
- To secure greater control and reduction of costs, year on year, by optimising efficiency and effectiveness.
- To maintain a funding strategy that balances growth and sustainability to protect and enhance the viability of the fund.
- To strengthen core operational capability by increasing LPFA's share of the available market.
- To achieve best practice in corporate governance throughout all areas of LPFA's operations.
- To develop an informed, motivated and diverse organisation.

Projects

Key projects for 2006 to 2009 arise from external requirements (legislative or environmental) and internal initiatives (financial or business led). Projects are implemented using a framework based on the principles of PRINCE2 project planning methodology.

Prior to inclusion in the plan, each project has been through a process identifying the business case, financial and risk implications and resource requirements.

Project One

Equality in Action

Project Two

Improving Efficiency, Quality and Effectiveness

Project Three

A New Local Government Pension Scheme (LGPS)

Project Four

A Strategy for Business

Project Five

Communicate and Consult



Project One

Equality in action

Key Outcomes

- Obtain a positive independent external assessment.
- Implement a revised structure capable of driving the diversity and equalities agenda forward.
- Publish robust and challenging equality targets.

Key Measurables

Set by the Equality Change Group.

Project Structure

An Equality Change Group was established containing members of staff representing most teams. The project structure has adapted to accommodate the joint responsibilities of the newly constituted senior management team.

Statement of Progress

Staff involved in the Equality Change Group were further extended to engage more staff in discussions and communicate the equality diversity and inclusion message.

- Lord Herman Ouseley has undertaken a further independent review of progress during the year following from his first report in early 2006.
- A new Corporate Equality framework has been developed to coincide with the annual progress report.
- Preparation is underway for accreditation by reference to the Local Government Equality Standard. This has entailed preparing a catalogue of progress evidencing the work done through numerous initiatives including training, consultation, assessment and is comprehensively and chronologically recorded. Pre-assessment work is presently being undertaken with support from a specialist in this field.



Project Two

Improving Efficiency, Quality and Effectiveness

Key Outcomes

- Measurable reductions in duplication of effort and casework completion times.
- Demonstrable increases in staff, employer and fund member awareness of the causes of delay and inaccuracy.
- Revised working practices leading to increased productivity.
- Identification of cost savings in non core activities.
- Development of service and procurement partnerships resulting in increased value for money.

Key Measurables

- Elapsed time from relevant event.
- Number of case resets.
- Number of incorrect payments.
- Number of records with inconsistent data.
- Total administration cost per member.
- Productivity per administration member of staff.
- Cost of support activities per member of staff.

Key timescales

- Complete review of Transfers in 2006-07.
- New Starters in 2007.
- Identify 5% savings (2.5% are cashable) during 2006-07 for implementing in the 2007-08 budget.
- Identify a further 2.5% of savings during 2007-08 for implementation in the 2008-09 budget.

Project Structure

Assistant Directors allocated lead responsibilities. The first meeting of the project team was held during the second quarter. Project risks were identified in the business case and have been mapped into the Corporate or Team Risk Register as appropriate.

Statement of Progress

A full review of procedures relating to transfers has been undertaken including the introduction of 'Step Processes' within PROWS (Pensions Record of Work System) which deals with case management. Changes are being developed by all teams within Member Services and include:

- Specification for enhanced elapsed time, productivity and duplication of work measurement reporting.
- Key measurable indicators in quarterly performance during 2007-8.

In other areas **completed** efficiency initiatives for 2006-7 include:

- Revised procedures for end of year data collection.
- Online administration and system notes.
- Revised Annual Benefit Statement production, internal procedures and external printing arrangements.
- Reductions in expenditures through revised contractual arrangements and improved technology.

Efficiency initiatives **identified** for 2007-8 include:

- Online 'self service' forms for employers.
- E-contributions facility to link online employer returns with PROWS and the finance system.
- Purchase order authorisation.
- Increased integration of pensions administration and document management systems.



Project Three

A new Local Government Pension Scheme (LGPS)

Key Outcomes

- Submit responses to proposals and draft regulations.
- Publish revised guides to Scheme members and employers and revised procedures for staff.
- Implement revised calculations to the pensions administration system.
- Devise and deliver a training programme for staff and employers.
- Develop and implement a communications plan for all stakeholders.

Key Measurables

- Percentage of employers consulted on regulation changes within three months of notification.
- Percentage of staff trained on new procedures prior to implementation.
- Percentage of new releases to the administration system live within one week of receipt.
- Percentage of published procedures prior to implementation.

Key timescales

- Implement 'A' day changes and plan for the new LGPS in 2006-07.
- Implement new LGPS in 2007-08 (subject to the Communities and Local Government [CLG] timescales).

Project Structure

Assistant Directors allocated lead responsibilities. Project risks were identified in the business case and have been mapped into the Corporate or Team Risk Register as appropriate.

Statement of progress

'A' Day regulatory changes been successfully implemented. The current Scheme has been amended to establish a new look LGPS. Technical support provided to all stakeholders has been enhanced.

Actions have included:

- A Technical Support Structure details all actions on changes to the Regulations with monitoring established. All employers were consulted on changes within three months of notification.
- Updating AXIS for A Day Regulation changes. Additional support and staff training enabled manual calculations to be completed pending receipt of delayed regulations. All new releases were live within one week of confirmation.
- Regular updates to staff, articles in staff newsletter, technical bulletins and presentations at the Staff Forum. New procedures were published and staff training promptly after receipt of regulation changes.
- Regular updates to stakeholders using the scheme member newsletters, updated Scheme Literature and monthly employer updates. Now enhanced, the employer newsletters have been well received.
- The completion and launch of an online procedure manual.
- A computerised technical support request system for raising individual staff queries and monitoring their progress.
- Updating the technical training and examination programmes for revised Regulations.
- A special consultation and communication plan, for all stakeholders, including actuarial costings, advising Scheme Members and a special employer forum, with speakers from Communities and Local Government and the Actuary. This allowed consultation on the proposals for the new look Scheme detailed in the consultation document "Where next? – Options for a new-look LGPS in England and Wales" which set out four options for the new Scheme and three methods of transfer to it for current active members.
- A flexible plan to prepare for implementation of the new Scheme on 1 April 2008.
- Timely response to all proposals and draft regulations.



Project Four

A Strategy for business

Key Outcomes

- Clear and unambiguous business objectives in relation to geographical and sector parameters.
- Desired market share.
- Projected returns and location.
- Increased contribution to LPFA overheads.
- Demonstrable increase in market awareness and influence.

Key Measurables

- Number of agency clients.
- Contribution to overheads.
- Market share.
- Tender success ratio.

Key timescales

Publish business objectives by 30 September 2006, increase percentage contribution to overheads in 2006-07.

Project Structure

Assistant Directors allocated lead responsibilities. Project risks were identified in the business case and have been mapped into the Corporate or Team Risk Register as appropriate.

Statement of progress

- High level business objectives agreed by Board.
- Business Development Plan completed and agreed by Board.
- Performance indicators agreed for inclusion in 2007-08 reporting to Performance and Administration Committee.
- Restructure of Marketing and Communications function complete.
- Tender submission project plan completed and presented to Performance and Administration Committee.
- A branding consistent with new business objectives completed.
- A virtual business team to ensure representation and participation from all functional areas.
- Overall contribution from agency work in excess of 2005-06.



Project Five

Communicate and Consult

Key Outcomes

- A revised structure and set of procedures for communications.
- A published LGPS communications policy.
- A revised decision making structure to incorporate LGPS representation requirements.
- A financial literacy programme, an implemented methodology for measuring the success of individual communication projects.

Key Measurables

- Fund employer satisfaction levels.
- Internal communication success ratio.
- Fund member awareness.
- Positive press coverage.

Key timescales

Publish LGPS communications policy in line with Scheme requirements, implement revised structure by September 2006, survey employers by March 2007.

Project Structure

Assistant Directors allocated lead responsibilities. Project risks were identified in the business case and have been mapped into the Corporate or Team Risk Register as appropriate.

Statement of progress

- LGPS Communications Policy published and Crisis Management Procedures.
- Marketing and Communications Manager appointed.
- Marketing and Communications plan submitted to Board.
- Employer and employee communication teams in place.
- Monthly employer and staff electronic newsletters in place.
- Performance indicators agreed for inclusion in 2007-08 reporting to Performance and Administration Committee.
- New Customer Relationship Management system purchased to handle all employer communications and measure effectiveness of campaigns and recipient satisfaction levels.
- Rolling media information programme to increase awareness together with media tracking system to measure success.
- Significant increase in positive coverage in both trade and national press achieved.
- Very positive response from employers on new initiatives.



Core Work

The majority of work carried out by staff is core (i.e. ongoing and determined by regulation or existing strategy). This is at the heart of the Authority's aims and objectives and changes little from year to year. Even within core activities a key dynamic is to strive for improvement. Tasks were identified for 2006-07 and were designed to promote and implement positive change throughout the Authority's core activities.

1. Core activity
Key action
Summary of performance

Pensions administration (for April 2006)
Introduce revised performance reporting arrangements.
Revised performance reporting arrangements, tools and measurables were developed as part of Project 2 'Improving Efficiency, Equality and Effectiveness'.
2. Core activity
Key action
Summary of performance

Funding and valuations (for December 2006)
Set new indicators for funding performance and data integrity.
New indicators for funding performance and data integrity and investment performance better reflect the investment strategy and will be included in the Strategy Statement 2007 - 2010.
3. Core activity
Key action
Summary of performance

Investment management (for December 2006)
Set new indicators following investment management restructure.
New indicators for funding performance and data integrity and investment performance better reflect the investment strategy and will be included in the Strategy Statement 2007 - 2010.
4. Core activity
Key action

Summary of performance

Governance (for December 2006)
Set new indicators to measure the effectiveness of audit arrangements. Implement new Code of Best Practice for Board members including training programme.
Board member Code of Best practice was revised and approved by Board in December 2005. Board members sign a copy of the Code on appointment. A report to Audit Committee on 12 June 2007 measures the effectiveness of audit arrangements and these will be monitored during 2007-08.
5. Core activity
Key action

Summary of performance

Human Resources (for March 2007)
Refresh and continue the learning organisation ethos. Implement and monitor the revised human resources policies and structures.
Human resources activity has centred on culture change and modernising workforce practices with a suite of activities planned. A staff handbook has been overhauled and is now pending discussion with the Union.
6. Core activity
Key action
Summary of performance

Communications (for March 2007)
Refocus customer care functions.
The Marketing and Communications Team established and includes a dedicated resource with responsibility for aspects of customer care including complaints, praise and customer satisfaction.
7. Core activity
Key action

Corporate (for September 2007)
A more focused target for electronic delivery of service.



Key Corporate Events

The calendar below outlines the key corporate events during 2006-07. These events support the objectives and demonstrate a commitment to openness and accountability. Many of the documents and reports shown are available on LPFA's website www.lpfa.org.uk.

April 2006

- Strategic Performance Plan published
- Statement of Investment Principles & Funding Strategy Statement published
- Present Inter-valuation report
- Fund Member Panel meeting

May 2006

- Performance Report for Quarter 4, 2005-06
- Employer panel meeting

June 2006

- Statement of Accounts for 2005-06 published
- Audit, Performance and Investment Strategy Committee meetings
- Board meeting

July 2006

- Annual Report and Accounts for 2005-06 published
- Investment Strategy Committee
- Employer forum

August 2006

- Fund Member Report published
- Executive away-day
- Performance Report for Quarter 1, 2006-07

September 2006

- Annual Fund member forum
- Audit, Performance and Investment Strategy Committee meetings
- Employer panel meeting

October 2006

- Annual Audit Letter
- Annual employer forum
- Board and Remuneration Committee
- Present Inter-valuation report (mid-year)
- Fund member panel meeting

November 2006

- Business planning away-day
- Performance and Investment Strategy Committee meetings
- Performance Report for Quarter 2, 2006-07

December 2006

- Winter newsletter published
- Strategy and Budget Statements to Mayor
- Board meeting
- Publish Levy forecast to Boroughs



January 2007

- Investment Strategy Committee

February 2007

- Present annual budget and levy
- Performance Report for Quarter 3, 2006-07
- Board, Audit, Performance, Remuneration Committee meetings

March 2007

- Spring newsletter published
- Board away-day (took place in September 06)
- Investment Strategy and Remuneration Committee meetings

Summary

All corporate events took place on time during the year with the exception of:

Employer Panel

The dedicated Marketing and Communications Team absorbed the employer panel into the Employer Forum with representatives from all Fund employers invited to attend. A monthly newsletter ensures employers are kept up to date with developments.

Business Planning Away-day

The vision and reality series of organisational development workshops have overtaken the managerial business planning away-day.



Summary of Indicators

Many of the key performance indicators (KPIs) in this report originate from Best Value Performance Indicators issued by the Department of Communities and Local Government. Relevant indicators in areas such as corporate health are selected and performance compared against that of other similar organisations. Others have in-house indicators to reflect strategic objectives or core areas of activity.

Detail of the performance against the targets can be found overleaf.

Corporate Indicators (Annex One)

Work has progressed on reaching level 4 of the Local Government Equality Standard and validation is planned for summer 2007. The appointment of a new Investment Director has resulted in a 50/50 gender split of senior management.

Days lost to sickness continued to fall. The target related to voluntary leavers was not attained. Staff turnover was slightly lower than 2005-06 although significantly higher than expected. A process of modernising working practices commenced with an emphasis on workforce and conditions.

Other corporate indicators were on target with a slight increase of invoices being paid on-time. The number of electronic interactions is set to increase in 2007 with the testing and installation of e-forms.

Investment Indicators (Annex One)

A new investment strategy has been implemented. The indicators, especially investment costs as a percentage of fund value, are higher than previous year's to reflect the performance related element of fund manager costs.

Indicators for 2007-08 have been revised to better reflect the new investment strategy and voting initiatives.

Administration Indicators (Annex Two)

The total cases completed on-time is just under the annual target - 98.9% on-time result and the target was 99%.

Complaints received fell slightly. Complaint handling surveys are to be returned by complainants and will be reported to the Performance and Administration Committee on receipt. The Marketing and Communications Team have developed a new Customer Care function and customer satisfaction results were collated as of Jan 2007. No cases were referred to the Pensions Ombudsman although eight new Internal Dispute Resolution Procedure (IDRP) cases were received.

Environmental Indicators (Annex Three)

The amount of waste per staff member rose slightly compared to the 2005-06 figures, however all indicators were within annual targets and the recycle rate increased to 95.75%



Annex One

Corporate Indicators

	2004-05	2005-06	2006-07	Target 2006-07
The level of the LGES reached	3	3	3	4
% of top 5% of earners that are women	33.3%	33.3%	50%	40%
% of top 5% of earners from black and minority ethnic communities	0%	0%	0%	11%
Number of working days lost to sickness	9.0	8.89	6.19	8
Voluntary leavers as a % of staff.	8%	15.8%	15.25%	5%
% of employees retiring early	0%	0%	0.8%	0%
% of employees retiring on grounds of ill health.	0.8%	0.8%	0%	0%
% of invoices which were paid on-time.	74%	91%	95%	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%	75%	50%

Investment Indicators

	2004-05	2005-06	2006-07	Target 2006-07
Investment costs as a % of fund value	0.15%	0.17%	0.36%	0.10%
Investment returns:				
Active sub-Fund	10.6%	23.16%	7.6%	7.5%
Pensioner sub-Fund	6.1%	9.28%	2.3%	6.5%



Annex Two

Administration Indicators

	2004-05	2005-06	2006-07	Target 2006-07
% of Fund members satisfied with the overall service	96%	92%	96%	95%
Number of customer satisfaction forms issued	678	601	242(1)	-
Number of customer satisfaction forms returned	160	131	57	-
Number of complaints	35	29	27	40
Number of Complaints as a percentage of the workload	0.10%	0.07%	0.07%	0.10%
% of complainants satisfied with handling of complaint.	61%	50%	-	75%
Number of responses	10	6	0	-
Number of complaints classified as:				
~ IDRPs	13	6	6	0
~ Pensions Ombudsman.	0	1	0	0
Overall % of LPFA cases completed on time.	98.8%	99.2%	98.9%	99%
Regulation changes notified within 3 months	100%	100%	100%	100%

Note	Variance
(1)	Due to restructuring in 2006-07 a lower number of satisfaction and complaint handling forms were issued. This has since been completed and a dedicated resource for customer care and satisfaction forms will be issued during 2007-08.



Annex Three

Environmental Indicators (1)

	2005-06	2006-07	Target 2006-07
Percentage of paper purchased from fully chlorine free sustainable sources	100%	100%	100%
Printing costs pre customer (2)	£0.56	£0.47	£0.60
Total annual waste disposal (kg)	2,276	2,354	<2,650
Waste per member of staff (kg)	16.64	18.25	<21
Recycle rate of waste	95.6%	95.75%	>85%

Note	
(1)	Data is collected twice per year - at mid year and full year stage.
(2)	Costs included are only those printing costs which directly relate to customer printing.



Annex Four

Operational Indicators

		2004-05		2005-06		2006-07		Target 2006-07
Contributors		21,473		21,037		20,782		
Deferred		20,172		20,853		21,254		
Pensioners / depdt's		32,155		32,235		32,690		
Total membership		73,800		74,125		74,726		
Staff numbers		41.3		38.9		33.2		
Cases completed		36,788		40,446		40,329		
% of total workload		36%		37%		36%		
% completed o/time		99%		99%		99%		
Ave cases per staff		891		1,040		1,215		
Top ten case types	std	cases	% o/t	cases	% o/t	cases	% o/t	% o/t
Admissions	10	3,175	99.9	3,101	99.8	2,834	99.9	97-99
Transfers in	10	2,319	99.9	2,109	99.6	1,907	99.8	97-99
Transfers out	15	2,166	99.7	2,372	99.9	1,574	99.7	97-99
Estimates – e'ees	10	1,899	99.5	1,462	99.6	1,374	99.6	97-99
Estimates – e'er	5	925	99.9	912	99.9	834	99.8	97-99
Retirement benefits	5	713	98.7	899	99.7	818	99.8	98-99
Deferred benefits	15	1,847	99.9	2,597	99.7	2,368	99.7	95-99
Refunds	10	742	99.5	394	99.5	177	100	95-99
Deaths	5	1,525	99.2	1,790	99.6	1,524	98.6	97-99
Correspondence	10	5,379	98.9	5,134	98.6	5,737	98.8	98-99
Total top 10		20,690	99.4	20,770	99.5	19,147	99.4	95-99
Other case types		16,098	98.0	19,676	98.9	21,182	98.4	95-99
Total case types		36,788	98.8	40,446	99.2	40,329	98.9	97-99



Annex Six

E gov targets

E gov targets mean delivering service through electronic means, i.e. telephone and fax, the internet (whether accessed through a PC, digital TV, phone or other device).

Electronic access, according to the definition, may be direct, or mediated through call centres or front offices in which the operator has access to information electronically and can seek information or complete transactions on behalf of members of the public who prefer to conduct business face to face or by telephone.

The number of transactions which are deliverable electronically as at 31 March 2007 is 12 out of a total 16 (75%). LPFA is however planning on significantly increasing this during 2007-08.

Action	From	Telephone	Email	Online	EDI	Available
New member	Employer	No	No	May 07	Yes	
Request IFA transfer in	Member	Yes	Yes	May 07	No	
Request other transfer in	Member	Yes	Yes	May 07	No	
Request estimate	Member	Yes	Yes	May 07	No	
Request IFA transfer out	Member	Yes	Yes	May 07	No	
Request other transfer out	Member	Yes	Yes	May 07	No	
Notify leaver	Employer	No	No	May 07	April 06	x
Notify leaver options	Member	No	No	No	No	x
Notify payee details	Member	No	No	No	No	x
Claim refund	Member	No	No	No	No	x
Notify death	Member	Yes	Yes	No	No	
Request estimates	Employer	Yes	Yes	May 07	No	
Change address	Member	No	No	Yes	No	
Notify material changes	Employer	No	Yes	May 07	Yes	
Notify contribution data	Employer	No	No	Yes	Yes	
View personal records	Member	No	No	Yes	No	
Total Actions	16	Percentage	75%		Available	12



London Pensions Fund Authority
Dexter House
2 Royal Mint Court
London EC3N 4LP
www.lpfa.org.uk