

Advisory Board

Agenda item 4 - Paper C – Key Performance Indicator (KPI) update

Background

The KPI indicators (4 core, and 14 supplementary) are being developed in order to provide funds with the ability to assess themselves against best practice benchmarks both across the scheme and across time. The indicators will also provide for a framework for the Board to provide support to funds in a targeted manner.

A pilot was run in March/April 2015 during which funds were given the opportunity to help develop the KPIs and in particular:

- Assess their funds against the examples of best practice for high performing funds and examples of concern for each KPI
- Inform how much effort/time/cost undertaking the pilot actually consumed compared to our estimate
- Provide general feedback on the KPIs and examples of best practice and example of concern and any suggestions for their clarification, refinement, and improvement

The pilot also provided a test for the process of self-assessment in addition to the above feedback.

Summary of initial analysis of responses

- A total of 22 funds expressed an interest in participating in the pilot.
- Six funds were selected to provide 'core' responses, (representing a cross section of funds in terms of size, type of administering authority etc.). These were to be actively encouraged and supported to fully complete the exercise. The remaining funds were also provided with the pro forma and guidance notes for completion on a best endeavours basis, resource permitting.
- The proforma was fully completed by 13 funds, including the 'core' and some general feedback was provided in addition to specific comments on the individual KPIs.

Annex1

Results output – fund matrix

At this stage, the relative positioning of each fund in the pilot is not of primary concern. However, putting the results into a table matrix allows for testing the method. As expected, the results need to be viewed in aggregate and objectively before any rational conclusions are made.

Indicators showing recurrent non-compliance or where best practice is not widely followed may highlight areas to focus attention, while indicators that do not appear to differentiate sufficiently across funds may need to be revisited.

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Time, effort and cost implications

The general feedback from the pilot was that the proforma took between two to three hours and up to a day of work to complete. This included factoring in time spent by colleagues, other departments and actuarial time. There were no comments that the time required was unreasonable or over onerous.

Specific KPI feedback (not exhaustive)

- Risk management; consider looking at internal/external audit reports.
- Pension Committee/Local Board members; it is difficult to assess understanding and the effectiveness of training
- Funding level and contributions; it needs to be clearer that this is on a standardised valuation basis, similarly for deficit and recovery period
- Investment performance; some funds are not benchmarked, similarly for administration costs

General Comments

- There could be more distinction between mandatory items and best practice.
- There could be more distinction between performance (objective) and governance (subjective) measures.
- The (“yes”, “no”, “partly”) range could be given a ratings scale for some of the KPIs to allow for tracking improvements year on year.
- Some KPI definitions need clarifying with support from ACA and CIPFA in particular on funding and costs.

Next steps

The proposed workplan is as follows:

- **June 2015** - Redraft the proforma and guidance after considering feedback provided.
- **July/September 2015** – Consultation of redrafted proforma and guidance by working group.
- **October 2015** – Provide revised proforma to all funds for completion (as of 31st March 2015, other than the valuation data, the latest available being 31st March 2013), this will still be on voluntary basis. Administering authorities to provide feedback.
- **December 2015** – Analyse responses and feedback.
- **April 2016** – Present KPI proforma as mandatory (along with standardised valuation assumptions) to form part of the 2016 valuation process.
- **December 2016** onwards – Begin using matrix as a tool for assessing and supporting funds accordingly.