

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 19 October 2017

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2017-18
Purpose of the Report	To present the Pension Fund Business Plan Update for the period May to August of the 2017-18 financial year to the Pension Fund Committee.
Recommendations	1) The Committee are asked to note the attached Pension Fund Business Plan Update for the period May to August of the 2017-18 financial year. 2) The Committee are asked to approve the change in target for completion of member requested estimates (2.14.4)
Enquiries to:	Name – Jo Walton, Governance and Regulations Manager E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the key activities during the period May 2017 to August 2017 and ensures that the Pension Fund's objectives are being met.

2. Business Plan Update

2.1. Payroll Reconciliation

- 2.1.1 Following the implementation of Altair pensioner payroll in October 2016 an exercise is being undertaken to reconcile the Altair pensioners' payroll records against Altair administration records to ensure that the correct rate of pension is in payment.
- 2.1.2 The exercise is making good progress with 93.53% of the 17,303 pensioner records being reconciled within agreed tolerances of up to £100pa. This exercise so far has identified 24 overpayments and 123 underpayments. None of the overpayments are of a significant value.
- 2.1.3 The reconciliation is scheduled to complete by 31 December 2017 after which the process of rectifying the over and underpayments will begin.
- 2.1.4 The Pension Fund Committee will continue to be updated with progress.

2.2 Guaranteed Minimum Pension Reconciliation

- 2.2.1 As reported in last Business Plan Update, the reconciliation of GMP liability held by the Fund compared with that held by HMRC has been outsourced to an external data audit company, ITM Limited.
- 2.2.2 ITM Limited have confirmed that 55.5% of the initial 79,624 records have been reconciled. This leaves a further 35,430 records to be reconciled.
- 2.2.3 ITM Limited have raised significant number of queries with HMRC in order to complete the reconciliation. HMRC have now introduced an automated service to respond to these queries and have closed their telephone lines to individual queries.
- 2.2.4 ITM Limited remain confident that they are on track to complete this project by 31 December 2017. Once ITM Limited have finished the reconciliation, LGSS Pensions will rectify any pensions in payment where a corrected GMP alters the value of the pension.
- 2.2.5 In December 2017, the Pension Fund Committee will be presented with a revised version of the current Overpayment of Pension Policy to approve which will incorporate the approach to how overpaid pensions as a result of a revised GMP will be treated.
- 2.2.6 The Pension Fund Committee will continue to be updated as to the progress made in this project through the Business Plan Update reports.

2.3 Overseas Pensioners – proof of existence exercise

- 2.3.1 It has been an internal audit recommendation that a proof of life exercise be conducted on scheme members that live overseas as they are not included in the biennial National Fraud Initiative conducted by the Cabinet Office.
- 2.3.2 As a result Western Union Business Solutions (WUBS) were appointed to carry out this proof of life exercise, being the one of very few providers of this service in the UK.
- 2.3.3 The Western Union Global Existence Transaction Service is used to provide proof of life for pensioner members that live overseas regardless if they continue to bank in the UK.
- 2.3.4 The Western Union Global Existence Transaction Service requires members to attend their nearest Western Union Agent location to collect a £10 currency equivalent that the Fund has sent to them. The £10 represents an appropriate amount of reimbursement of costs that they may have incurred in participating in this exercise. The member is required to produce photographic identification to claim the £10 equivalent which verifies that they are the rightful recipient. This in turn provides proof that the scheme member is alive and well.

- 2.3.5 As at 15 September, 206 of the 225 pensioners in scope of this exercise had completed the process. The remaining 19 pensioners have until the 31 October when the project closes. Any pensioners that have not completed the process by 31 October will have their pensions suspended with effect from 1 November if they have not made contact to explain why they cannot complete the process.
- 2.3.6 Those who do make contact and have a genuine reason why they cannot complete the process will be provided with an alternative method as agreed with internal audit. Any pensions that are suspended will be reinstated with arrears paid once the member has made contact and provided suitable evidence that they are alive and well.
- 2.3.7 A full report on the results of this exercise will be presented to the Pension Fund Committee at the December meeting.

2.4 Overpayment of Pensions

- 2.4.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 May 2017 to 31 August 2017. Further detail is provided in sections 2.4.2 to 2.4.4.

Overpayment Type	Action	Amount	Total
Death of a Pensioner/Dependent	Written off	£7,096.28 (98 cases)	£32,544.50 (125 cases)
	In the process of recovery	£25,448.22 (26 cases)	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

*Total Pensioner Payroll for the 16/17 financial year was £63,156,723.11

- 2.4.2 During the period 1 May 2017 to 31 August 2017, 125 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. Of the overpayments, 98 were automatically written off as the value of the overpayment was less than £250. The remaining 26 cases are currently being pursued for recovery of the overpayment.
- 2.4.3 In this period £139.26 has been recovered to date for the current financial year and £14,444.93 for the previous year across all overpayment types.

2.5 Timeliness of employer and employee pension contributions

- 2.5.1 The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late (after the 19th of the month following deduction) for the period 1 August 2016 to 31 July 2017.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
August 2016	96.6	3.4	95.9	4.1
September 2016	97.1	2.9	97.3	2.7
October 2016	97.4	2.6	96.7	3.3
November 2016	98.0	2.0	96.8	3.2
December 2016	98.9	1.1	97.6	2.4
January 2017	98.0	2.0	95.0	5.0
February 2017	97.7	2.3	94.7	5.3
March 2017	98.0	2.0	94.4	5.6
April 2017	96.4	3.6	97.8	2.2
May 2017	97.7	2.3	91.7	8.3
June 2017	98.0	2.0	96.0	4.0
July 2017	95.3	4.7	94.3	5.7
Average for period	97.4	2.6	95.7	4.3

2.5.2 Details of late paying employers can be found in **appendix 1** of this report (**Private appendix**)

2.6 Variances against the forecast of investments and administration expenses

2.6.1 The table in appendix 2 provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2017 to 31 August 2017.

2.7 Procurement of actuarial, governance and benefits consultancy updates

2.7.1 The Request for Further Competition to appoint a supplier of Actuarial, Benefits and Governance Consultancy Services from the suppliers available through the National Frameworks was issued on 8 September 2017 with final responses required by 9 October 2017. The tender exercise is therefore on track to enable new contracts for these services to be in place from 1 April 2018.

2.7.2 At this stage all suppliers on the National Frameworks have expressed an interest in supplying services to the Cambridgeshire and Northamptonshire Funds. The exercise is being undertaken jointly between the two Funds with the winning bidder for each Lot entering into a contract with each Fund on identical terms.

2.8 Review of risk register

2.8.1 The risk register has been reviewed and cyber risk has been highlighted for inclusion. The information for this is currently being gathered and will be incorporated on the register by the end of the year.

2.9 LGSS Pensions Service Improvement Plan

- 2.9.1 The desired outcome of the service improvement plan is to – ‘Improve the quality of responses to complex, cross service customer queries. Ensuring that enquiries that require multiple LGSS services input are seamless and effective.’
- 2.9.2 In order to achieve this the service is proactively seeking feedback to establish areas for improvement in this area. As such, employer and member surveys were issued in August and the results of these are due shortly. The interim customer service excellence review and reviews on complaints will also provide valuable information on the timeliness and accuracy of information provided and will highlight any areas for improvement.

2.10 Customer Service Excellence Award

- 2.10.1 The interim Customer Service Excellence Standard review was held on 1 August 2017. Following the review, the assessor concluded that our two previous partial compliance scores could be removed and in addition gained two compliance plus scores.
- 2.10.2 The next interim review will be undertaken in August 2018 with the full assessment to be undertaken in August 2019.

2.11 Scheme employer survey

- 2.11.1 The employer survey was launched in August via survey monkey and closed on 30 September.
- 2.11.2 The results of the survey are currently being analysed and will be fed back to the Committee in December.

2.12 Delivery of communications against the plan

- 2.12.1 In June, deferred members had their annual benefit statements issued electronically for the first time. Statements were issued to 46,121 members (across both Funds) through the Member Self Service (MSS) facility.
- 2.12.2 A campaign was undertaken to ensure members were aware that annual benefit statements would be available in MSS, this entailed emails to employers, posters and intranet articles.
- 2.12.3 In August, 23,522 annual benefit statements were issued for active members via MSS. The 202 members who had opted out of electronic annual benefit statements had their paper statements posted in time to meet the statutory deadline.

2.13 Administration Strategy Consultation

- 2.13.1 The revised Administration Strategy was reviewed by both the Local Pension Board and the Pension Fund Committee and was approved for consultation. The consultation by scheme employers commenced in July 2017 and lasted 30 days, concluding on 11 August 2017.

2.13.2 The consultation was communicated to employers through the publication of the document on the latest news section of the website, the summer employer newsletter and also by direct email. No comments or further discussion was initiated from any employer.

2.13.3 The Administration Strategy can be found on the LGSS Pensions website and is effective from 12 August 2017.

2.14 LGSS Pensions Service and scheme employer key performance indicators

2.14.1 The performance for LGSS Pensions Service for the period 1 May 2017 to 31 August 2017 is as follows -

2.14.2 The full analysis of data for May, June, July and August statistics along with explanations on the lower than expected performance can be found in **appendix 2** of this report.

Key Performance Indicators	Target	Month			
		May	June	July	August
Notify leavers of deferred benefit entitlement. (Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information)	90%	100%	100%	100%	100%
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	95%	95%	95%	100%	99%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	92%	92%	96%	94%
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	90%	57%	75%	75%	83%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	66%	95%	96%	81%
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	50%	81%	100%	79%
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	95%	N/A	N/A	N/A	N/A
Issue annual benefit statements to active members as at 31 March. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	N/A	N/A	98.9% *

*1.1% of statements were not issued due to employers failing to submit year end information prior to the absolute deadline.

2.14.3 An analysis of other LGPS funds' targets in respect of turnaround times for the production of retirement estimates upon request of the scheme member has been undertaken. It was noted that other funds had a much lower and realistic target.

2.14.4 With the Pension Fund Committee's approval, it is recommended that the target for the KPI, "Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information)" be changed from 90% to 80% and within 15 working days increased from 10. It is proposed that the target be effective from September 2017.

2.14.5 Reducing the target will bring LGSS Pensions into line with the expected performance of other LGPS funds and help to balance competing priorities within the service.

2.14.6 The performance for scheme employers for the period 1 April 2017 to 31 July 2017 is as follows -

Key Performance Indicators	Target %	Month %			
		April	May	June	July
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	100%	96.1%	97.4%	98%	95.3%
Employers to provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	36.8%*	n/a	n/a	n/a

*85.1% were received by 30 April 2017, however 48.3% of these were returned to respective employers as the quality of the data was inadequate.

3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning.
Objective 4

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not have a Business Plan Update there will be significant lack of direction, control and structure in the management of its business.	Green

6. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – (Private) Details of late paying employers

11.2 Appendix 2 - Variances against the forecast of investments and administration expenses

11.3 Appendix 3 – KPI supporting information

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sent to Sarah Heywood – 29 September 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 September 2017
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 29 September 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 29 September 2017

Appendix 2 - Variances against the forecast of investments and administration expenses

	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(123,500)	(128,000)	(4,500)	There has been an increase in active membership above levels originally expected
Transfers in from other pension funds:	(5,400)	(5,400)	-	Demand led
Total income	(128,900)	(133,400)	(4,500)	
Benefits payable	98,300	100,000	1,700	Slight increase in Pensioner numbers over expectations.
Payments to and on account of leavers:	(5,400)	(5,400)	-	Demand led
	103,700	105,400	1,700	
Management Expenses	8,156	8,156	-	No anticipated variance at this time.
Total income less expenditure	(17,044)	(19,844)	(2,800)	
Investment Income	(29,000)	(29,000)	-	No anticipated variance at this time.
Taxes on Income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	(£75,000)	-	No anticipated variance at this time
Net return on investments	(104,000)	(104,000)	-	
Net (increase)/decrease in the net assets available for benefits during the year	(121,044)	(123,844)	(2,800)	

Management Expenses	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,494	2,494	-	
Total Governance Expenses	432	432	-	
Total Investment Expenses	5,230	5,230	-	
TOTAL MANAGEMENT EXPENSES	8,156	8,156	-	

Administration Expenses Analysis	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
<i>Staff Related</i>	1,321	1,321	-	
<i>Altair System</i>	261	261	-	
<i>Altair payroll project</i>	0	0	-	
<i>GMP/Payroll Reconciliation Project</i>	150	150	-	<i>One-off cost for 2017/18</i>
<i>Communications</i>	54	54	-	
<i>Other Non-Pay and Income</i>	100	100	-	
<i>County Council Overhead Recovery</i>	608	608	-	
Total Administration Expenses	2,494	2,494	-	

Staff related expenses are forecast to increase from 2016/17 in line with inflationary expectations.

The GMP and Payroll Reconciliation project costs are intended to be a one-off expenditure in order to meet requirements of HMRC to ensure the scheme holds the correct GMP liability for its membership following the cessation of contracting out on 5 April 2016. External expertise is required to complete this project in the most effective manner

Appendix 3 – Key Performance Indicator analysis for May, June, July and August								
May 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	470	470	0	100	G	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	90	87	3	97	G	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	62	61	1	98	G	

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	132	66	66	50%	A	Cases outside of SLA target due to the prioritisation of work in other areas
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	26	8	18	31%	R	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	9	3	6	33%	A	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

June 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	413	413	0	100%	G	SLA target met.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	75	71	4	95%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	62	57	5	92%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due development of new team members.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	168	126	42	75%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.</p>
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	68	64	4	95%	G	SLA target met.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	16	13	3	81%	A	<p>Cases outside of SLA target are within the statutory target of 3 months.</p> <p>Low volume of case work in this area and this impacts the percentage if there are cases not within target.</p> <p>Cases outside of SLA target due to development of new team members.</p>

July 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	464	464	0	100%	G	SLA target met.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	53	53	0	100%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	46	44	2	96%	G	SLA target met.

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	158	107	41	75%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	27	26	1	96%	G	SLA target met.
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	6	6	0	100	G	SLA target met.

August 2017								
Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	395	395	0	100%	G	SLA target met.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	116	115	1	99%	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	43	40	3	94%	A	Cases outside of SLA target are within the statutory target of 2 months. Cases outside of SLA target due to development of new team members

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	178	147	31	83%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to reduction in staffing levels, the development of new team members and the high volume of requests.</p> <p>These cases impacted by staff concentrating on the high levels of retirement benefits from active employment. Team have also been dealing with Annual Allowance.</p>
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	80	65	15	81%	A	<p>Cases outside of SLA target are within the statutory target of 2 months.</p> <p>Cases outside of SLA target due to development of new team members.</p>
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	24	19	5	79%	A	<p>Cases outside of SLA target are within the statutory target of 3 months.</p> <p>Increase in volume of tasks completed due to clearance of backlog.</p>

Green:

- Equal to or above SLA target.

Amber:

- If there is a statutory target - below SLA target, but all within statutory target.
- If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

Red:

- If there is a statutory target - below SLA target and all not within statutory target.
- If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.