

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 28 April 2016

Report by: Head of Pensions

Subject:	LGSS Pensions Service Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board is asked to note the Administration Performance Report.
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1. Background

- 1.1 One of the core functions of the Pension Fund Board (the Local Pension Board) is to ensure the effective and efficient governance and administration of the Scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Administration Reporting

2.1 Receipt of Employee and Employer Contributions

- 2.1.1 The table on the next page 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 April 2015 to 29 February 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
April 2015	98.2	1.8	93.0	7.03
May 2015	97.7	2.3	94.7	5.3
June 2015	97.7	2.3	95.7	4.3
July 2015	97.9	2.1	96.6	3.4
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
Average for period	98	2	95.8	4.2

2.1.2 Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non compliance.

2.1.3 There has been one employer in the Fund who has persistently paid late and in recent months not paid at all. This employer has been reported to the Pensions Regulator on several occasions.

2.2 Overpayments of Pension

2.2.1 The table below shows all the overpayments of pension that have occurred, split by categories of explanation, during the period 1 April 2015 to 31 December 2015.

Overpayment Type	Action	Amount	Total
Retirement	Written off	£248.51	£422.23
	Recovery	£173.72	
	Recovered	£0	
Death of a Pensioner/Dependant	Written off	£7,563.93	£18,979.04
	Recovery	£5,336.40	
	Recovered	£4,368.20	
Eligibility to a child's pension ceasing	Written off	£0	£597.62
	Recovery	£597.62	
	Recovered	£0	

2.2.2 The overpayments of pension occurring as a result of a death of a scheme member are usually unavoidable and are a result of the notification of the death being received after the point in which it is possible to stop the pension payment for that particular month. In these circumstances an overpaid pension with a value of less than £250 is written off in line with the Overpayments of Pension Policy.

2.2.3 Invoices are raised for all overpayments on the death of a scheme member or dependant. Overpayments occurring in retirement are either recovered via an invoice or by reducing the value of the ongoing pension over the length of time the overpayment occurred or longer to ensure the member is not seriously financially disadvantaged.

2.3 Key Performance Indicators – LGSS Pensions Service

2.3.1 The Pension Committee has agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions Service.

2.3.2 The performance against the key performance indicators for the period 1 May 2015 to 29 February 2016 are detailed in the table below.

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
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%	99%	94%	92%	90%	
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%	96%	99%	100%	100%	
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100%	99%	97%	100%	
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%	87%	77%	84%	89%	See 2.3.3
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	95%	69%	92%	100%	See 2.3.4

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
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%	100%	N/A	N/A	100%	
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	97.8%	N/A	N/A	N/A	See 2.3.5

- 2.3.3 The Fund experienced an 80% increase in estimate requests when compared to the same periods for the previous year and resourcing this exponential increase in volume with skilled staff has been a challenge. The amount of estimates being requested has now started to ease and this is reflected in the increased performance in this area.
- 2.3.4 Providing a transfer in quote to scheme members has also not reached the desired level for this year and this is due to an increase in workload on the team due to Freedom of Choice legislation. The volume of requests increased significantly prior to the legislation coming into force to allow decisions to be made without the regulatory need for members to obtain financial advice at the beginning of the year; this has had a knock on effect to the workload of the team. There was also staff rotation in this team leading to additional training and support needed to be provided for the long term sustainability for the section.
- 2.3.5 A small percentage of annual benefit statements were not issued due to inaccurate or non submission of year end data from the employer. A concentrated effort on obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being issued.

2.4 Key Performance Indicators – Scheme Employer Performance

2.4.1 The following key performance indicators, as agreed by the Pension Committee, are based on the performance of the scheme's employers for the period 1 May 2015 to 29 February 2016 are detailed in the table below.

KPI	Target	May - Jul	Aug - Oct	Nov – Jan	Feb	Comment
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. (Contributions to be received by individual employers by 19 th calendar day of month after deduction and statement/schedule were received by the same date as payment).	100%	95%	96.3%	98.3%	98.45%	See 2.4.2
Provide LGSS Pensions Service with accurate year end information in the prescribed format. (Accurate year end information to be provided for all scheme members by 30 April following contribution year end).	100%	9.91%	N/A	N/A	N/A	See 2.4.3
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority. (Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement / change if earlier where employer automatic enrolment duties apply).	95%	44%	66.7%	66.7%	66.7%	See 2.4.4

2.4.2 Employer performance continues to be managed by officers of the Fund and progress continues to be made. Close liaison with employers in regards to the timely submission of both payments and schedules in order for them to meet statutory compliance.

2.4.3 A total of 18.53% of year end submissions were received on time of which only 9.91% were on time and in the correct format. One large payroll provider who is responsible for submitting 68% of the Cambridgeshire Pension Fund contribution data did not submit their data until 5 May.

A concentrated effort in obtaining year end data from employers between 1 May 2015 and 15 July 2015 resulted in a high percentage of statements being able to be issued.

- 2.4.4 The pension service and the large payroll providers have been in discussions regarding the requirements for receiving new starter and variation information. This has resulted in progress in this area but continues to be managed to reach a satisfactory level.

2.5 Internal Audit Update 2015-16 and Plan 2016-17

- 2.5.1 At the March 2016 meeting of the Pension Committee, Neil Hunter, Head of Internal Audit, presented a report describing the internal audit work undertaken and in progress, covering process convergence and the adequacy of design and implementation of controls for the administration of the Pensions Services of Cambridgeshire and Northamptonshire Pension Funds.
- 2.5.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.
- 2.5.3 Internal Audit completed and reported to management their review of the design and operation of controls in the converged processes being shared by Cambridgeshire and Northamptonshire for 2014-15. The final report was issued and the results were shared with the external auditors to support their work on the financial statements and reported to this committee in June 2015. Whilst the testing did identify some cases of non-compliance, Internal Audit were satisfied overall with the design and application of controls. Based upon this they gave a substantial assurance opinion and agreed an action plan to strengthen further the controls and improve compliance. The results in each process area are summarised in the following table:

Process Area	2014-15
New members	Moderate
New pensioners	Substantial
Deferred pensioners	Substantial
Transfers in	Substantial
Transfers out	Substantial
Contributions	Moderate
Reconciliations	Moderate
Systems and User Access	Substantial
Overall Level of Assurance	Substantial

- 2.5.4 The implementation of the agreed actions arising from the 2014-15 report has been monitored during the year and all actions have been implemented. Effective implementation will be verified as part of the 2015-16 audit.

2.5.5 The 2015-16 audit is currently being undertaken. This will assess the design and operation of controls covering the administration of both the Cambridgeshire and Northamptonshire Pension Funds. Testing is designed to provide management with reasonable assurance that there are appropriate controls in place to effectively mitigate the following risk areas:

- Risk 1 – Pension payments are not made in accordance with the LGPS and council policy (including rates, annual uplift, lump sums, pensions, deferred pensions, early retirements, annual pension statements);
- Risk 2 – Pension payments are not recorded properly and not accounted for correctly;
- Risk 3 – New members are not set up on a timely basis and do not receive appropriate information;
- Risk 4 – Contributions and accompanying schedules are not received on time or are not correct; (includes employee and employer contributions and additional contributions from all scheme employers);
- Risk 5 – Transfers in and out of the scheme are not subject to appropriate checks and authorisation;
- Risk 6 – Reconciliations are not completed i.e. between Altair and Oracle and also for the Pensions bank account;
- Risk 7 – Performance of the service provided is not monitored and reviewed;
- Risk 8 – User access is not reviewed and so staff may have inappropriate access to the pensions system.

2.5.6 The finalised results of this audit will be reported to the June 2016 meeting of the Pension Committee and will also be shared with external auditors to support their work.

2.5.7 The next annual audit of the administration of the LGSS Pension Service will be undertaken during 2016-17. Testing will be undertaken in the final quarter of the 2016-17 financial year to give assurance on the operation of controls across the whole period.

2.5.8 The testing will be designed to satisfy the requirements of Cambridgeshire external auditors (BDO) and Northamptonshire external auditors (KPMG).

2.5.9 There is additional risk this year relating to the move from Oracle to the Altair payroll system. This is due to be implemented by August 2016. Internal Audit will undertake an additional audit of this project to provide assurance that the risks in the project are effectively managed and that the design of controls for the new system is adequate. Testing of the application of the new controls will then form part of the annual audit.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

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 are no risks associated with managing the administration performance of the scheme.	Key areas of control to be reported to the Pension Committee and Pension Fund Board are highlighted in the Fund's Business Plan.	Green

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

Risk	Risk Rating
If the Fund does not monitor and report administration standards the Fund will not demonstrate that it has appropriate control over the management of its core functions.	Amber

6. Communication Implications

Direct Communications	The Fund publishes its performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.
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7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

8.1 Consultation with the Fund's advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

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 Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/4/2016