

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

31st January 2020

Report by: Head of Pensions

Subject:	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
Enquiries to:	Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk

1. Background

- 1.1 One of the core functions of the Pension Fund 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. Variances against the forecast of investments and administration expenses

- 2.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2019.

3. Key Performance Indicators – LGSS Pensions

- 3.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 3.2 For the period 1st September to 31st December 2019 the Fund has met 18 out of 24 monthly targets. 4 of the 6 targets missed related to payment of retirement benefits from active status. The team responsible encountered vacancy, sickness and training issues, however, over the period in question volumes of payment of retirement benefits from *deferred* status, not currently reported as a KPI, were also very high, totalling 286 (compared to 336 retirements from active status). The aforementioned team issues have now been resolved, but as retirements from deferred status represent an ever-increasing area of responsibility as the Fund matures, a new KPI for this area of work will be introduced in 2020-21. Full KPI detail can be found in **appendix 2**.

4. Receipt of Employee and Employer Contributions

- 4.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 4.2 The table in **appendix 3** 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 for the period 1st December 2018 to 30th November 2019.
- 4.3 Details of late paying employers for August, September, October and November 2019 can be found in the **private and confidential appendix (appendix 4)** of the report.

5. Breaches of the Law

- 5.1 There are many and various laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Fund Board, having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.2 For the period 1st September to 31st December 2019, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	Three Stage 2 Internal Dispute Resolution Procedure responses were not issued within the 2 month statutory deadline. The responsibility of stage 2 appeals rests with the Cambridgeshire County Council Monitoring Officer.	Processes have been put in place to ensure reminders are sent at appropriate intervals. The Monitoring Officer should issue an extension letter where justifiable to avoid future breaches of this nature.
	One non-payment of tax charge to HMRC in respect of Scheme Pay.	Internal processes have been reviewed to avoid a reoccurrence.

6. Internal Dispute Resolution Procedure

- 6.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 6.2 In the period November to December 2019 the following activity occurred:

- Two new administering authority appeals were raised concerning a refund of contributions and a transfer out to an overseas pension scheme which at the time of writing are being considered by the stage 1 adjudicator.
- An administering authority stage 2 appeal concerning the recovery of an overpayment of pension was adjudicated on with an outcome of not upheld having been previously partially upheld at stage 1. The member has 3 years from the date of the initial decision to raise an appeal with the Pensions Ombudsman.

6.3 Further details of all administering authority decisions that have been appealed since 1st April 2018 can be found in **appendix 5**.

7. Overpayments of significance

7.1 One net overpayment of £10,026.38 in respect of the period 4th May 2017 to 28th February 2018 was identified resulting from a delay in notification of a scheme member's death. The next of kin advised of the death in March 2018 and the pension was immediately suspended.

7.2 The Section 151 Officer approved the recommendation to write off the overpayment based on the following reasons:

- The representative was written to once the death of the member had been identified but the correspondence did not detail the overpayment until the death certificate was received several months later at which time the estate had been finalised.
- The Tell Us Once Service was not operational at the time the member's death was registered due to technical issues which were with Northamptonshire County Council's IT service for resolution.

7.3 In light of this case, all letters now advise that there may be an overpayment to be considered in the process of settling the estate. Monthly reports from the Fund's provider of mortality screening service and a fully operational 'Tell Us Once service' ensure that vast majority of UK registered deaths of scheme members that are notified to the Fund promptly decreasing the risk of overpayments significantly.

8. Data Improvement

8.1 Data Audit 2019

8.1.1 The 2019 independent data audit has recently concluded. The common and scheme specific data scores that have been reported to the Pensions Regulator on the annual mandatory scheme return are detailed in the table below alongside the scores for 2018.

Type of data	2019	2018
Common	81%	82%
Scheme-specific	73%	73%

8.1.2 A number of data improvement activities were under-taken during the period between the two audits and have been reported to the Pension Fund Committee during the course of the year.

- 8.1.3 Those activities will have contributed to the improvement in both sets of scores, but the increase in the number of unprocessed leavers which the Cambridgeshire Pension Fund, which Officers feel are appropriate to report to the Pensions Regulator as both common and scheme specific data fails, has offset these improvements.
- 8.1.4 The increase in unprocessed leavers was as a direct consequence of over 1,500 suspected leavers being identified through year end processing. This increased our business as usual casework volume to circa 7,000, considerably above the expected baseline volume of 2,500 to 3,000 unprocessed leavers. For the majority of these cases the Fund has not been provided with a leaving certificate. Resource assigned to unprocessed leavers has been increased in this area to stabilise Business as Usual (BAU) volumes and to bring this outstanding BAU volume down to expected baseline volumes.
- 8.1.5 It should also be noted that the data used to calculate the data scores was taken before the results from the mortality and address tracing project has concluded. It is expected that once the results of this project have been fully verified that the quality of the member address data will have improved which will be reflected within the common data scores.
- 8.1.6 In addition, it is expected that that the conclusion of the contracted-out reconciliation project, currently scheduled for March 2020, will further increase the quality of the scheme specific data scores.
- 8.1.7 The next step will be to examine the individual member results of the 2019 data audit and present to the Pension Fund Committee a re-baselined data improvement plan for 2020/21.

8.2 Data Improvement Plan 2019/20 – progress update

8.2.1 Resolution of unprocessed leaver records

Purpose of activity: To process all the unprocessed leaver benefits in accordance with the member's entitlement under the Local Government Pension Scheme (LGPS) regulations.

Original timescale for action: 01/01/2019 – 31/12/2020

Revised timescale for completion: 01/01/2019 – 31/03/2021

Update: This update only refers to the ring-fenced backlog unprocessed leavers. Business as usual cases are being brought down to baseline volumes utilising internal resources.

From the baseline position 2,294 (39%) backlog unprocessed leaver cases have now been completed.

Category	Total
Baseline (July 2018)	5,823
December 2019	3,529

Future milestones: Please refer to table below.

Activity description	Start Date	Due Date	Completed	Comments	RAG Status
Process approx. 1,000 Multi Deferred Benefits (DB) cases.	May 19	End Mar 20		Being processed by Aon Hewitt. Completion date pushed back from Jan 20 to Mar 20 as circa 90% of cases have queries.	A
Process other backlog cases alongside BAU	Aug 19	Mar 20		Using available internal resource. Completion date pushed back due to BAU volume.	A
Design and implement processing solution for remaining backlog	Mar 20	Mar 21		Commencement date pushed back to fit with precursor activities	A

8.2.2 Contracted-out liabilities reconciliation

Purpose of activity: To compare contracted-out liabilities held on scheme records with that held by Her Majesty's Revenue and Customs (HMRC).

Original timescale for action: All queries to be submitted to HMRC by 31/12/2018 – completed.

Revised timescale for completion: HMRC are still in the process of resolving queries, despite previous targets dates for completion of April and June 2019.

Update: Officers have recently processed a number of queries in response to HMRC's processing of the queries initially raised with them. This will facilitate the rectification stage of this exercise as well as the final data file that HMRC will issued confirming the final contracted-out liability held by the Cambridgeshire Pension Fund. This file was expected to be ready for issue by the end of 2019. On 9th January 2020, HMRC issued a statement confirming a delay in issuing the final data file for all UK pension schemes. Further information is awaited from HMRC on this matter (see 8.2.3).

Future milestones: Awaiting further information from HMRC.

8.2.3 Contracted-out liabilities rectification

Purpose of activity: To correct any variances to pensions in payment as a result of the activity detailed in 8.2.2.

Timescale for action: Amendments to pensions were scheduled to be made in March 2020.

Update: The delay in HMRC issuing the final data file has impacted the completion of this activity. At the time of writing it is unknown as to when the final data file will be received from HMRC to begin the rectification to pensions in payment.

Future milestones: Awaiting further information from HMRC but this activity is now not expected to begin until 2020-21.

8.2.4 Member tracing and mortality screening

Purpose of activity: To ensure all membership records where a liability is held has a current home address or is marked as gone away where attempts to trace the member have been unsuccessful (excluding active members as the employer is required to update the Fund with changes of address).

Timescale for action: The contract with Accurate Data Services commenced in June 2019. Address tracing was initially expected to complete by 30 November 2019 and mortality screening will be conducted monthly for the duration of the 2 year contract.

Update: For those members where automated tracing confirmed a current of new address but with a low level of confidence, a more manual approach to tracing is currently being undertaken and is not expected to conclude until early 2020.

A verification process is also currently in progress to ensure those members for whom a new address has been identified but without complete confidence are at the new address supplied. This process involves members being contacted at the new address for them and invited to follow a secure robust process to confirm their identity and address. This process will conclude in March 2020.

9. Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking

- 9.1 The Cambridgeshire Pension Fund participated in the 2019 CIPFA Benchmarking exercise alongside 29 out of a potential 87 LGPS funds in England, Wales, Scotland and Northern Ireland. The other participating funds, vary in size of total membership and 3 out of the 29 funds have outsourced their administration.
- 9.2 The high level results of this annual exercise show that the net administration cost per member of the Cambridgeshire Pension Fund is £14.09 per annum compared with the group average of £21.34 per annum. The Fund net administration cost per full time equivalent member of staff is £50.1k per annum compared with the group average of £71.8k per annum.
- 9.3 Further detailed information on this exercise is available upon request.

10. Employers Admissions and Cessations

- 10.1 The following admission bodies have been admitted to the Cambridgeshire Pension Fund:
 - ABM Catering Limited
 - Caterlink
 - Easy Clean
 - Hertfordshire Catering Service (HCL)
 - Nightingale Cleaing Limited
 - Pabulum Limited
- 10.2 The following scheduled body has been admitted to the Cambridgeshire Pension Fund:
 - Our Lady of Walsingham Catholic Multi Academy Trust (MAT).

10.3 The following bodies have ceased to be an employer within the Cambridgeshire Pension Fund:

- Aspens (The Weatherall's Primary School)
- Edwards and Blake (New Road Primary School)
- Pabulum (Downham Feoffes Primary)
- YMCA Trinity Group

11. 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>

12. Risk Management

12.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.

12.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
5	Information may not be provided to stakeholders as required.	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

12.3 The Fund's risk register can be found on the LGSS Pensions website at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

13. Communication Implications

Direct communications	The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report.
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14. Finance & Resources Implications

- 14.1 There are no financial and resource implications associated with this report.

15. Legal Implications

- 15.1 Not applicable

16. Consultation with Key Advisers

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

17. Alternative Options Considered

- 17.1 Not applicable

18. Background Papers

- 18.1 Not applicable

19. Appendices

- 19.1 Appendix 1 Variances against the forecast of investments and administration expenses
19.2 Appendix 2 Key Performance Indicators – LGSS Pensions
19.3 Appendix 3 Receipt of Employee and Employer Contributions
19.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)
19.5 Appendix 5 Internal Dispute Resolution Procedure – Administering Authority appeals

Checklist of Key Approvals

Has this report been cleared by Head of Pensions?	Mark Whitby – 17 th January 2020
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Appendix 1 – LGSS Pensions Administration Report

Variances against the forecast of investments and administration expenses – based on original setting of assumptions

Fund Account	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	131,000	131,000	0	
Transfers in from other pension funds	4,200	4,200	0	
Total income	135,200	135,200	0	
Benefits payable	-105,000	-105,000	0	
Payments to and on account of leavers	-9,100	-9,100	0	
Total Payments	-114,100	-114,100	0	
	21,100	21,100	0	
Management Expenses	-10,040	-8,248	-1,792	See analysis below.
Total income less expenditure	11,060	12,852	-1,792	
Investment income	36,000	36,000	0	
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	84,000	84,000	0	
Net return on investments	120,000	120,000	0	
Net increase/(decrease) in the net assets available for benefits during the year	131,060	132,852	1,792	

Management Expenses	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,930	3,065	-135	See analysis below.
Total Governance Expenses	550	550	-	
Total Investment Invoiced Expenses	6,560	4,633	1,927	Expenses relating to assets transitioned to the asset pool have now been removed as expenses not invoiced.
Total Management Expenses	-10,040	-8,248	1,792	

Administration Expenses Analysis	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,400	-1,400	0	
Altair System and payroll system	-310	-310	0	
Data Improvement Projects	-440	-540	-100	Undecided leavers project understated.
Communications	-30	-30	0	
Other Non-Pay and Income	-120	-120	0	
County Council Overhead Recovery	-630	-665	-35	External overheads have increased
Total Administration Expenses	-2,930	-3,065	-135	

Appendix 2 - Key Performance Indicators – LGSS Pensions December, October, November and December 2019

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments Service Level Agreement (SLA)
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%	September: 261 October: 193 November: 321 December: 283	248 180 298 180	13 13 28 103	95 93 93 64	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not met*
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	September: 68 October: 47 November: 63 December: 27	61 38 48 24	7 9 15 3	90 81 76 89	Amber Amber Amber Amber	SLA target not met** SLA target not met** SLA target not met** SLA target not met**
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	September: 22 October: 23 November: 15 December: 26	22 23 15 24	0 0 0 2	100 100 100 92	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not met***
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	September: 61 October: 68 November: 90 December: 89	61 66 86 84	0 2 4 5	100 97 96 94	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	September: 13 October: 24 November: 42 December: 30	13 24 41 30	0 0 1 0	100 100 98 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	September: 7 October: 11 November: 6 December: 3	7 11 6 3	0 0 0 0	100 100 100 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

*Notify leavers of deferred benefit entitlement - high volume of work and a backlog of checking has resulted in an amber rating for December. A member of the team is now allocated to checking to ensure the target is met going forward.

** Payment of retirement benefits from active employment – Please see section 3.2.

*** Award dependents benefits – high volume of checking as a result of increased overall activity within the team has resulted in an amber rating for December. Resource has been reallocated to address the increased volume.

Green:	Equal to or above Service Level Agreement (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 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.

Appendix 3 - Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
December 2018	99.3	0.7	99.4	0.6
January 2019	99.8	0.2	99.6	0.4
February 2019	100	0	99.6	0.4
March 2019	99.4	0.6	98.4	1.6
April 2019	98.5	1.5	97.0	3.0
May 2019	97.6	2.4	98.0	2.0
June 2019	99.6	0.4	100	0
July 2019	98.7	1.3	95.9	4.1
August 2019	98.3	1.7	99.6	0.4
September 2019	100	0	98.3	1.7
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
Average for period	99.0	1.0	98.5	1.5