

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 19 March 2015

**Report by:** Deputy Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Business Plan Update report 2014-15</b>
<b>Purpose of the Report:</b>	To present the fourth Pension Fund Business Plan Update for the 2014-15 financial year to the Pension Fund Board.
<b>Recommendations</b>	<b>The Board are asked to note the attached Pension Fund Business Plan fourth update report for the 2014-15 financial year, provided in the appendix to this report.</b>
<b>Enquiries to:</b>	Jo Walton, Pension Services Governance Officer Tel - 01604 367030 E-mail - <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 Good governance ensures that any updates to the pre-agreed Annual Business Plan are provided to the Board on a regular basis. This update highlights the progress made on the Fund's challenges, its performance on the key performance indicators and also any other initiatives during each quarter of 2014-15 as laid out in the Annual Business Plan.
- 1.2 The Fund Business Plan update is attached in **Appendix 1**.

**2. Contents of Business Plan Update**

**2.1 Pension Fund news**

- 2.1.1 As reported in the last Business Plan Update, LGSS Pensions will be embarking on a large scale project to reconcile information held on the pensions administration system, Altair and the pensioner payroll, with that held by HMRC on contracted-out membership. The resource requirement for this project has now been reviewed and as a result the project will be managed within the existing staffing structure, lasting approximately 12 to 18 months.

The last update report also referred to an overpayment policy on how the Fund should seek recovery or indeed write-off any overpayments of pension that are identified as part of the reconciliation project as well as those that may occur outside of the project. It is felt prudent to allow time for work to begin on the project to understand the types, quantities and values of the overpayments before drafting the policy for the Board to approve. This will ensure that the policy is drafted in a robust

manner to apply to the majority, if not all, overpayments. It is therefore proposed that the draft policy will be presented to the Pension Fund Board for approval in June 2015.

- 2.1.2 Following the Government's Call for Evidence on structural reform, the Shadow Scheme Advisory Board (SSAB) had put forward concerns that any reform of investment structures across the LGPS must first consider fund deficits to ensure that reform is effective. As a result the SSAB have been tasked by the Minister for Local Government to look at how deficits in the LGPS can be better managed. The SSAB have established a Deficit Working Group to look at the proposals for deficit management and subsequently commissioned PwC to produce a report providing detailed analysis to support potential policy recommendations. **Appendix 2** details the work plan drawn to develop recommendations to better manage deficits in the LGPS. The board will be kept up to date with the work of the Governance Working Group via Business Plan Update reports.
- 2.1.3 Appendix 1 of this Business Plan Update provides details of the decision made by Officers to delay the procurement of joint actuarial and benefits consultancy services until June 2017. In brief, this decision has been made due to concerns of potentially transitioning to a new provider at the time of the next triennial valuation. Additionally, the current National LGPS Framework for actuarial and benefits consultancy services is limited to contracts ceasing on 31 December 2020. It is considered that a new actuarial and benefits consultancy contract should be able to run for at least two full valuation cycles which would exceed the 31 December 2020 cap. Delaying the procurement until June 2017 will allow the Funds access to a refreshed Framework which will allow contracts to run for the desired period of time.
- 2.1.4 The Fund has been subscribing to the CIPFA Skills and Knowledge Framework licensed through Hymans Robertson since 2012. The Fund has been notified by Hymans Robertson that as of 31 March 2015 they will not be renewing their license to operate the Framework. As a result Officers of the Fund need to review how the Fund should structure its training and knowledge and skills analysis going forward. Over the next few months officers will look into the alternative package that Hymans Robertson will be putting in place, as well as those offered by other organisations. The Knowledge Management Policy will therefore be rewritten and presented to the Pension Fund Board at the July Annual General Meeting for discussion and approval.
- 2.1.5 As a result of the Public Service Pension Act 2013 and the resultant extended powers of The Pensions Regulator with effect from 1 April 2015, the Pensions Regulator has updated his website to include web pages and toolkit aimed directly at those involved in the governance and administration of public service pension schemes. The Business Plan Update provides the links to these useful resources.
- 2.1.6 An update on the training events for Board Members and Officers scheduled for 2015-16 are included in the Business Plan Update. This section is a regular feature of the Business Plan Update and will be refreshed with new events and confirmation of dates upon each issue.

## **2.2 Employee and employer monthly pension contributions**

This section details the percentage of Scheme employers that pay over their

employee and employer monthly contributions by, or after, the statutory deadline of the 19<sup>th</sup> day of the month following the month of deduction. For the period April to December 2014 an average of 2.2% of employers paid their contributions late. Over the October to December payroll periods, £5,919 of contributions was paid late which is a very small proportion of the total contributions paid for those three months.

LGSS Pensions Service will be working with the employers who are paying over contributions later than the statutory deadline to ensure compliance each month going forward.

## **2.3 Regulations and consultations update**

This section provides information on recently issued regulations that are either Local Government Pension Scheme (LGPS) Regulations or overriding legislation. This section also addresses any consultations that have an impact on the administration of the LGPS.

This reporting period saw the much anticipated release of The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 which enables the Administering Authority to be able to move forward with the creation and establishment of the local pension board within the County Council's constitution.

In terms of consultations, LGSS Pensions Service has submitted a consultation response on behalf of the Fund on technical changes to the LGPS. The response can be found in **Appendix 3**.

## **2.4 Investments update**

The investment section details a brief outline of the main areas for investigation over the coming year and a market summary for the period ending 31 December 2014.

## **2.5 Key service challenges**

This section provides an update on the work undertaken by and the achievements of LGSS Pensions Service in completing the service challenges for 2014-15 as laid out in the Annual Business Plan. During this reporting period, good progress has been made on all the key service challenges.

## **2.6 Key Performance Indicators**

This section of the Business Plan Update reports on the Key Performance Indicators (KPIs) as set out in the Business Plan. In the months of November and December the majority of KPIs were met and also exceeded. Unfortunately, January's performance statistics in a number of areas fell short of our desired standards due to issues with the checking of benefit payments and calculations during the Christmas period. Further detailed analysis of the KPIs can be found in Appendix four and five.

### 3. Relevant Pension Fund Objectives

Perspective	Outcome
<b>Communications</b>	<ul style="list-style-type: none"><li>• Promote the Scheme as a valuable benefit.</li><li>• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.</li><li>• Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.</li><li>• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.</li><li>• Look for efficiencies in delivering communications including through greater use of technology and partnership.</li></ul>
<b>Administration</b>	<ul style="list-style-type: none"><li>• Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li><li>• Administer the Funds in a cost effective and efficient manner utilising technology.</li><li>• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li><li>• Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li><li>• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li><li>• Maintain accurate records and ensure data is protected and has authorised use only.</li><li>• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li><li>• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li></ul>

### 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

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
There is no risk as it is best practice that the Fund has an approved Business Plan.	An approved Business Plan.	Green

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

<b>Risk</b>	<b>Risk Rating</b>
If the Fund does not have a Business Plan Update the Fund will have significant lack of direction, control and structure in the management of its business.	Amber

## 6. Communication Implications

<b>Direct Communications</b>	The Pension Fund Business Plan Update will be presented to the Pension Fund Board at its quarterly business meetings.
<b>Website</b>	The Pension Fund Business Plan Update will be published on the Fund's website

## 7. Legal Implications

7.1 Not applicable.

## 8. Consultation with Key Advisers

8.1 The Fund's key advisers have been consulted in the Pension Fund Business Plan Update where necessary.

## 9. Alternative Options Considered

9.1 Not applicable.

## 10. Background Papers

10.1 Not applicable.

## 11. Appendices

- 11.1 Appendix 1 – Annual Business Plan Update 2014-15 – update 4 (February 2015)
- 11.2 Appendix 2 – Shadow Scheme Advisory Board – Deficit Working Group Work Plan
- 11.3 Appendix 3 – Technical consultation on local government pension scheme rules
- 11.4 Appendix 4 – Employer Services – Performance Monitoring 2014-15
- 11.5 Appendix 5a – Pensions Administration Management and Performance Monitoring
- 11.6 Appendix 5b – Pensions Administration Management and Performance Monitoring – percentage of cases completed outside of target.

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	N/A
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?	Chris Malyon – 06/03/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 17/02/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Count – 19/02/2015
Has this report been cleared by Legal Services?	Laurie Gould on behalf of Quentin Baker – 02/03/2015