

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

14th 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 Committee
Recommendations:	The Pension Fund Committee are 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 Committee 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 Committee.

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 October 2019 the Fund has met all targets with the exception of three. The detail surrounding the performance of the service 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 October 2018 to 30th September 2019.

- 4.3 Details of late paying employers for August and September 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 many and various people 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 There are no breaches to be reported for the period 1st September to 31st October 2019.

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 Cases within the IDRP process as at 31st October 2019 can be found in the tables below:

6.2.1 Stage 1 disputes:

	Administering Authority*	Stage 1 Decisions: None
No. of disputes brought forward from 2018/19:	0	
No. of disputes raised as at 31 st October 2019:	0	
No. of disputes resolved as at 31 st October 2019:	0	
No. of disputes in progress as at 31 st October 2019:	0	

*Please note that the Administering Authority is not always aware of stage 1 employer disputes.

6.2.2 Stage 2 disputes:

	Scheme Employer	Admin Authority	Stage 2 Decisions: All three resolved disputes concerned scheme employer ill health pension decisions from active membership; two related to refusals of an ill health pension, the other to a tier 2 award made. The disputes were all upheld, requiring the scheme employers to reconsider their decisions. The respective <i>raised</i> dates for each dispute are: 10/10/2018 08/05/2019 06/06/2019
No. of disputes brought forward from 2018/19:	3	1	
No. of disputes raised as at 31 st October 2019:	0	0	
No. of disputes resolved as at 31 st October 2019:	3	0	
No. of disputes in progress as at 31 st October 2019:	0	1	

6.2.3 Disputes escalated to The Pensions Ombudsman (TPO)

	Scheme Employer	Admin Authority	TPO Decisions:
No. of disputes brought forward from 2018/19:	2	1	<p>The resolved dispute concerned a scheme employer's decision not to extend the deadline within which the member could make an election for a shared cost additional pension contribution arrangement to replace pension 'lost' during a period of authorised unpaid leave. TPO partially upheld the member's complaint, directing the scheme employer to reconsider its decision and to pay the member £500 in recognition of the significant distress and inconvenience they had been caused.</p> <p>The scheme employer has overturned its decision and is now processing a shared cost APC application from the member.</p> <p>First contact from TPO 30/01/2019</p>
No. of disputes raised as at 31 st October 2019:	0	0	
No. of disputes resolved as at 31 st October 2019:	1	0	
No. of disputes in progress as at 31 st October 2019:	1	1	

6.2.4 Summary of number of disputes raised:

	Stage 1	Stage 2		TPO	
		Scheme Employer	Administering Authority	Scheme Employer	Administering Authority
During 2018/2019	6	3	2	1	1
During 2019/2020 to 31/10/2019	0	2	2	1	0

7. Data Improvement

7.1 Data Audit 2019

- 7.1.1 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%

- 7.1.2 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.

- 7.1.3 Those activities will have contributed to the improvement in both sets of scores, but the increase in the number of unprocessed leavers within 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.
- 7.1.4 The increase in unprocessed leavers was as a direct consequence of over 1,500 suspected leavers being identified through year end processing as well as automation issues around the switch-over to monthly employer data submission. This increased our business as usual casework volume to circa 7,000, considerably above the expected baseline volume of circa 2,500-3,000 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 BAU volumes and to bring this outstanding BAU volume down to expected baseline volumes.
- 7.1.5 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.
- 7.1.6 In addition, it is expected 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.
- 7.1.7 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.

7.2 Data Improvement Plan 2019/20 – progress update

7.2.1 Resolution of unprocessed leaver records

Purpose of activity: To process all the unprocessed leaver benefits in accordance with the member's entitlement under the 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 2,235 backlog unprocessed leaver cases (38%) have now been completed.

Category	Total
Baseline (July 2018)	5,823
November 2019	3,588

Future milestones: Please refer to table below.

Activity description	Start Date	Due Date	Completed	Comments	RAG Status
Process approx. 1,000 Multi 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

7.2.2 Contracted-out liabilities reconciliation

Purpose of activity: To compare contracted-out liabilities held on scheme records with that held by 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 the 2019.

Future milestones: Planning for the rectification stage of this project as detailed in 7.2.3 has commenced.

7.2.3 Contracted-out liabilities rectification

Purpose of activity: To correct any variances to pensions in payment as a result of the activity detailed in 7.2.2.

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

Update: Despite the delays in HMRC processing the remaining queries the project to rectify any pensions in payment as a result of a corrected contracted-out liability being received will still progress as planned, by ITM Limited, based on the data that is ready to be processed. Data that is received after January 2020 will be processed manually rather than through ITM Limited's automated mechanism. Planning and testing has already commenced ready for corrected data to be applied to the March pension payment. Members who will see a change to their pension will be notified in early February.

Future milestones: The number of members whose pension requires amendment was expected to be known by the end of December 2019.

7.2.4 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 early 2020.

8. CIPFA Benchmarking

- 8.1 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.
- 8.2 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.
- 8.3 Further detailed information on this exercise is available upon request.

9. Relevant Pension Fund Objective

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>

10. Risk Management

- 10.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority (LGSS Pensions). The Pension Fund Committee and Local Pension Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.
- 10.2 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

- 10.3 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>

11. 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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12. Finance & Resources Implications

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

13. Legal Implications

- 13.1 Not applicable

14. Consultation with Key Advisers

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

15. Alternative Options Considered

15.1 Not applicable

16. Background Papers

16.1 Not applicable

17. Appendices

17.1 Appendix 1 Variances against the forecast of investments and administration expenses

17.2 Appendix 2 Key Performance Indicators – LGSS Pensions

17.3 Appendix 3 Receipt of Employee and Employer Contributions

17.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 17 th December 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 2 nd December 2019
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 17 th December 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 4 th December 2019

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	-8,340	1,700	See analysis below
Total income less expenditure	11,060	12,860	-1,800	
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	132,860	1,800	

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	-546	4	
Total Investment Invoiced Expenses	-6,560	-4,729	1,831	Investment cost overstated
Total Management Expenses	-10,040	-8,340	1,700	

Administration Expenses Analysis	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,400	-1,400	-	
Altair System and payroll system	-310	-310	-	
Data Improvement Projects	-440	-540	-100	Undecided leavers project understated.
Communications	-30	-30	-	
Other Non-Pay and Income	-120	-120	-	
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 September and October 2019

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%	September: 261 October: 193	248 180	13 13	95 93	Green Green	SLA target met SLA target 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	61 38	7 9	90 81	Amber Amber	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	22 23	0 0	100 100	Green Green	SLA target met SLA target 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	61 66	0 2	100 97	Green Green	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	13 24	0 0	100 100	Green Green	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	7 11	0 0	100 100	Green Green	SLA target met SLA target met

* High volume of work, double the normal amount received in a month came in to be processed during this month, whilst holding two vacancies within the team caused the delays in processing. A recruitment exercise is currently being undertaken to address these vacancies.

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
October 2018	99.3	0.7	96.7	3.3
November 2018	100	0	99.6	0.4
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	0	98.3	1.7
Average for period	99.2	0.8	98.5	1.5