

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 29 March 2018

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 November to January of the 2017-18 financial year to the Pension Fund Committee.
Recommendations	The Committee are asked to note the attached Pension Fund Business Plan Update for the period November to January of the 2017-18 financial year.
Enquiries to:	Michelle Oakensen - Governance Officer moakensen@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 November 2017 to January 2018 and ensures that the Pension Fund's objectives are being met.

2. Key Business Plan Activities

2.1 Cambridgeshire Pension Fund Pensioner administration v pensioner payroll records reconciliation

- 2.1.1 The reconciliation stage of this exercise completed on 6 December 2017 resulting in a total of 491 variances identified with a difference of £100pa or more. Of the 491 variances identified there were 255 underpayments and 236 overpayments. Of the 17,303 pensions that were in payment, this equates a variance rate of 2.83%.
- 2.1.2 Whilst waiting for legal advice to inform the revised Overpayments of Pension Policy the underpayments have been processed first.
- 2.1.3 As at 13 March 2018 88 underpayments have been fully reconciled. The individuals have been contacted in order to explain how the error occurred and were provided with a statement of arrears detailing the correct rate of pension that they should have received, along with information to enable to their tax code to be adjusted as appropriate.
- 2.1.4 As at 13 March 2018 average arrears and interest payment was £4,301.97 per member.

- 2.1.5 The remaining underpayments will continue to be rectified over the following months alongside the rectification of the overpayments once the revised Overpayment of Pensions policy has been agreed.

2.2 Guaranteed Minimum Pension reconciliation

- 2.2.1 As reported in the Business Plan Update at the December 2017 meeting, the project outsourced to ITM Limited to reconcile Guaranteed Minimum Pension (GMP) data held by the Fund compared with that held by HMRC has been subject to a three month pause to allow time for HMRC to process the queries that have been raised with them. The project pause will end on 31 March 2018.
- 2.2.2 During the period of the pause, ITM Limited have confirmed that HMRC responded to 2,070 out of 22,011 queries presented to them.
- 2.2.3 LGSS Pensions have 5,280 queries raised by ITM Limited to resolve and return so that any further queries can be raised with HMRC by the deadline of 31 October 2018. HMRC will not accept any further queries after this date.
- 2.2.4 Once the Fund is in receipt of the reconciled GMP data work will commence on rectifying any discrepancies which may lead to under or overpayment of members' pensions.

2.3 Service Improvement Plan

- 2.3.1 As a result of the employer survey and internal Customer Service Excellence standard workshop the service has made some key changes. The most significant change has been the development of a new member and employer website as well as improvements made to employer training including increasing and enhancing employer webinar training and multi skilling staff to improve the customer experience.

2.4 Procurement of actuarial, governance and benefits consultancy service

- 2.4.1 Transition to the new governance and benefits consultancy is progressing well with business planning in place with the new provider. The actuarial service is also progressing well with any changes to the contract starting to be implemented, this includes the migration to the new solution for ill health retirement strain costs.

2.5 Funding update

- 2.5.1 The funding level at the latest formal valuation was 78.5%. As at 31 December 2017 the funding level has increased to 84.1%. This represents a deficit of £625m at 31 March 2016 decreasing to a deficit of £567m at 31 December 2017.

3. Pension Fund Administration

3.1 Overpayment of Pensions

- 3.1.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 November 2017 to 31 January 2018. Further detail is provided in sections 3.1.2 to 3.1.3.

Overpayment Type	Action	Amount	Total
Death of a Pensioner/Dependent	Written off	£3,613.40	£6,195.80
	In the process of recovery	£2,582.40	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

**Total Pensioner Payroll for the 16/17 financial year was £64.3m*

- 3.1.2 During the period 1 November 2017 to 31 January 2018, 39 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, 38 were automatically written off as the value of the overpayment was less than £250. The remaining 1 case is currently being pursued for recovery of the overpayment.
- 3.1.3 In this period £18,157.28 has been recovered to date for the current financial year across all overpayment types.

3.2 Timeliness of employer and employee pension contributions

- 3.2.1 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 January 2017 to 31 December 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
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
August 2017	97.6	2.4	97.3	2.7
September 2017	98.0	2.0	97.7	2.3

October 2017	97.2	2.8	95.8	4.2
November 2017	98.8	1.2	98.4	1.6
December 2017	99.1	0.9	99.1	0.9
Average for period	97.6	2.4	96.0	4.0

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

3.3 LGSS Pensions and scheme employer key performance indicators

3.3.1 The performance for LGSS Pensions against the 6 key performance indicators for the period 1 November 2017 to 31 January 2018 can be found in **appendix 3**.

3.3.2 The performance for scheme employers for the period 1 August 2017 to 30 September 2017 is as follows -

Key Performance Indicators	Target %	Month		
		October	November	December
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%	97.2	98.8	99.1

3.4 Variances against the forecast of investments and administration expenses

3.4.1 The table in appendix 2 provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2017 to 31 January 2018.

4. Relevant Fund objectives

Continually monitor and measure clearly articulated objectives through business planning.

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
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 8 March 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 February 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 14 March 2018
Has this report been cleared by Legal Services?	Quentin Baker – 14 March 2018

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

	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(128,000)	(128,000)	-	Estimate was based on past trends. We are now able to assess what the actual year end position will be.
Transfers in from other pension funds:	(5,400)	(2,100)	3,300	
Total income	(133,400)	(130,100)	3,300	
Benefits payable	100,000	100,000	-	Estimate was designed to eliminate the effect of transfers in. We are now able to assess what the actual year end position will be.
Payments to and on account of leavers:	5,400	7,200	1,800	
Total Payments	105,400	107,200	1,800	
	(28,000)	(22,900)	5,100	
Management Expenses	8,156	8,114	(42)	See below
Total income less expenditure	(19,844)	(14,786)	5,058	
Investment Income	(29,000)	(29,000)	-	
Taxes on Income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	(75,000)	-	
Net return on investments	(104,000)	(104,000)	-	
Net (increase)/decrease in the net assets available for benefits during the year	(123,844)	(118,786)	5,058	

Management Expenses	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,494	2,452	(42)	See below
Total Governance Expenses	432	432	-	
Total Investment Expenses	5,230	5,230	-	
TOTAL MANAGEMENT EXPENSES	8,156	8,114	(42)	

Administration Expenses Analysis	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
<i>Staff Related</i>	1,321	1,305	(16)	Vacancy factor
<i>Altair System</i>	261	280	19	Increased cost due to Membership movements not anticipated when the budget was set.
<i>GMP/Payroll Reconciliation Project</i>	150	95	(55)	Unused spend is being carried forward to next year.
<i>Communications</i>	54	28	(26)	Efficiency savings realised in using electronic communication.
<i>Other Non-Pay and Income</i>	100	135	35	Includes additional legal advice charged to the fund of £10k , software licences of 13K and Subscriptions of £10k
<i>County Council Overhead Recovery</i>	608	609	1	
Total Administration Expenses	2,494	2,452	(42)	

Appendix 3 – Analysis for November, December and January								
November 2017 – Cambridgeshire Pension Fund								
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%	391	390	1	99	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%	81	79	2	97	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	35	35	0	100	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%	130	126	4	97	G	SLA target met.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	50	49	1	98	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%	20	20	0	100	G	SLA target met.

December 2017 – Cambridgeshire Pension Fund								
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%	235	226	9	96	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%	22	22	0	100	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	26	26	0	100	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%	65	61	4	94	G	SLA target met.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	24	24	0	100	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%	7	7	0	100	G	SLA target met.

January 2018 – Cambridgeshire Pension Fund								
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%	287	287	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%	30	29	1	97	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	21	20	1	95	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%	68	64	4	94	G	SLA target met.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	10	10	0	100	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%	9	9	0	100	G	SLA target met.

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 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