

# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Committee

Date: 13 December 2018

Report by: Head of Pensions

<b>Subject:</b>	<b>Administration Performance Report</b>
<b>Purpose of the Report</b>	<a href="#">To present the Administration Performance Report to the Pension Fund Committee</a>
<b>Recommendations</b>	<b>The Pension Fund Committee are asked to note the Administration Performance Report</b>
<b>Enquiries to:</b>	Michelle Oakensen – LGSS Pensions Governance Officer <a href="mailto:moakensen@northamptonshire.gov.uk">moakensen@northamptonshire.gov.uk</a>

## 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. Administration Reporting

### 2.1 Variances against the forecast of investments and administration expenses

- 2.1.1 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 Pensions Committee in March 2018.

### 2.2 Key Performance Indicators – LGSS Pensions

- 2.2.1 The Pension Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2.2 For the period 1 September to 31 October 2018 the Fund has met all targets. The detail surrounding the performance of the service can be found in **appendix 1**.

### 2.3 Receipt of Employee and Employer Contributions

- 2.3.1 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.

2.3.2 The table in **appendix 1** 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 1 October 2017 to 30 September 2018.

2.3.3 Details of late paying employers for August and September can be found in **appendix 2** (private) of the report.

### 3. 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>

### 4. Finance & Resources Implications

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

### 5. Risk Management

5.1 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.

5.2 The risks associated with either scheme employer or the administering authority failing to meet those performance standards have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Green
Governance (risk 13)	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	Green

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Investment and Funding (risk 19)	Contributions to the Fund are not received on the correct date and for the correct amount.	Amber
Administration and Communication (risk 45)	Effective performance management is not in place for the administration of the Fund.	Green

- 5.3 The full risk register can be found on the LGSS Pensions website at the following link:  
<http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

## **6. Communication Implications**

<b>Direct Communications</b>	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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## **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

## **11. Appendices**

- 11.1 Appendix 1 LGSS Pensions Key Performance Indicators
- 11.2 Appendix 2 Late payments of employee and employer contributions (private)

### **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 – 29 November 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 November 2018
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 29 November 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 26 November 2018

## Appendix 1 – LGSS Pensions Administration Report

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

Fund Account	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Contributions <sup>1</sup>	(129,000)	(125,000)	4,000	Decrease due to membership movements.
Transfers in from other pension funds <sup>2</sup>	(4,907)	(4,780)	127	Forecast shows actuals to date plus actual monthly average for remaining month.
<b>Total income</b>	<b>(133,907)</b>	<b>(129,780)</b>	<b>4,127</b>	
Benefits payable <sup>1</sup>	101,000	101,000	-	
Payments to and on account of leavers <sup>2</sup>	7,246	7,865	619	Actuals plus an average going forward on transfers.
<b>Total Payments</b>	<b>108,246</b>	<b>108,865</b>	<b>619</b>	
	<b>(25,661)</b>	<b>(20,915)</b>	<b>4,746</b>	
Management Expenses	8,494	8,411	(83)	See analysis below.
<b>Total income less expenditure</b>	<b>(17,167)</b>	<b>(12,504)</b>	<b>4,663</b>	
Investment income	(30,000)	(27,235)	2,765	Forecast reflects actual to Q3 plus average actual income for Q4 forecast.
Taxes on income	-	75	75	Tax incurred on Real Estate Funds
(Profit) and losses on disposal of investments and changes in the market value of investments	(77,000)	(236,773)	(159,773)	Forecast reflects actual to Q3.
<b>Net return on investments</b>	<b>(107,000)</b>	<b>(263,933)</b>	<b>(156,933)</b>	
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>	<b>(124,167)</b>	<b>(276,437)</b>	<b>(152,270)</b>	

Management Expenses	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,658	2,602	(56)	See analysis in table below.
Total Governance Expenses <sup>3</sup>	449	479	30	Expected increase in ACCESS costs.
Total Investment Expenses <sup>4</sup>	5,387	5,330	(57)	Actuals to Q3 plus actual average for Q4
<b>Total Management Expenses</b>	<b>8,494</b>	<b>8,411</b>	<b>(83)</b>	

Administration Expenses Analysis	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,436	1,380	(56)	Expected underspend due to vacant posts.
Altair System	287	287	-	
GMP/Payroll Reconciliation Project <sup>5</sup>	60	60	-	
CRM and new website	25	25	-	Awaiting final charges for this project, our estimate remains in line with expectations.
Communications	23	23	-	
Other Non-Pay and Income	212	212	-	
County Council Overhead Recovery	615	615	-	
<b>Total Administration Expenses</b>	<b>2,658</b>	<b>2,602</b>	<b>(56)</b>	

Notes:

<sup>1</sup>Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

<sup>2</sup>Transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2015/16 to 2017/18, amended to reflect actual transactions to date.

<sup>3</sup>Governance and investment expenses are expected to remain at levels similar to the current year, increasing in line with inflation. Within the governance expenses for 2018/19 is £130,000 in respect of ACCESS related costs (2017/18 £100,000).

<sup>4</sup>Investment expenses are mainly driven by fees paid to managers and are based upon the current year uplifted by 3% per annum.

<sup>5</sup>The GMP and Payroll reconciliation costs are a one-off expenditure in order to meet the requirements of HMRC as a result of the introduction of the new state pension and cessation of contracting-out in defined benefit schemes. External expertise was required to complete this project in the most effective manner. The unused budget from 2017/18 has been carried forward to meet the cost incurred this year.

## Key Performance Indicators – LGSS Pensions September and October 2018

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: 152 October: 156	152 156	0 0	100% 100%	Green Green	SLA target met 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%	September: 56 October: 61	56 61	0 0	100% 100%	Green Green	SLA target met SLA target met
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	September: 26 October: 27	26 27	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 – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	September: 107 October: 96	106 95	1 1	99% 99%	Green Green	SLA target met SLA target met
Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	September: 22 October: 30	22 30	0 0	100% 100%	Green Green	SLA target met SLA target met
Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	September: 1 October: 5	1 5	0 0	100% 100%	Green Green	SLA target met 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.

**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 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
January 2018	98.6	1.4	98.6	1.4
February 2018	99.3	0.7	99.3	0.7
March 2018	99.3	0.7	98.6	1.4
April 2018	97.8	2.2	95.0	5.0
May 2018	96.7	3.3	96.9	3.1
June 2018	99.8	0.2	98.7	1.3
July 2018	99.6	0.4	98.7	1.3
August 2018	98.4	1.6	98.5	1.5
September 2018	99.5	0.5	97.2	2.8
<b>Average for period</b>	<b>98.7</b>	<b>1.3</b>	<b>98.0</b>	<b>2.0</b>



