

Annual Business Plan
2015-16

Update 1 (June 2015)

Welcome to the first Business Plan Update of 2015-16.

The Annual Business Plan and Medium Term Strategy 2015-16 was approved at the March meeting of the Pension Fund Board, the purpose of this update is to show the progress made during this first quarter linking directly to Cambridgeshire Pension Fund objectives.

To demonstrate the progress made there are four sections that provide the relevant evidence as follows -

- Key Fund challenges
- Contribution reporting
- Administration and investment expenses
- Key Performance Indicators

This update shows how the Fund has performed in terms of actions required and whether KPI targets have been met. The purpose is to highlight outstanding actions in order to reach key milestones and address any areas of poor performance in order to improve and meet targets.

The regular update aims to show the quarterly performance with an overview of the year after the fourth quarter. The update ensures the Fund is keeping on track to ensure the desired outcomes.

Mark Whitby
Deputy Head of LGSS Pensions Service

Key Fund activities

The Annual Business Plan 2015-16 laid out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan related to the Fund's objectives as well as changes in regulations, in order to ensure that actions taken are clearly defined and for a specific purpose.

A number of these activities link directly to the Fund's policies, strategies and contractual services in order to ensure functions are being carried out effectively.

The below table shows the key Fund activities as agreed and provides an update on how the Fund has been working towards these actions. Collaboration between sections of the Service has ensured good progress against each activity.

Regulatory activities	Progress	Timescale for completion
<p>Implementing the 2015 governance changes.</p> <ul style="list-style-type: none"> • Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes. • Assist LGSS Democratic Services with the creation and ongoing operation of the Public Service Pensions Act 2013 requirement for each public service pension scheme to have a local pension board. 	<ul style="list-style-type: none"> • The Pension Regulator's code of practice will be embedded throughout the year within existing processes to strengthen controls in such areas of contribution monitoring and skills and knowledge. Ongoing – Amber. • The Local Pension Board has now been established and a recruitment process has appointed two out of the three Employer Representatives and Scheme Member Representatives. Democratic Services will work with the Board to recruit the remaining representatives required. Completed – Green. <p>Local Pension Board Members have attended a training session on 21 May 2015 in order assist them in their roles in which they are required to obtain and maintain an appropriate level of knowledge and understanding. The purpose of the training was to highlight and in brief explain, all the areas of</p>	<p>Ongoing process throughout 2015-16 into 2016-17.</p>

	<p>knowledge a Board member is expected to have. Completed – Green</p> <p>The first Local Pension Board is due to take place on 16 July 2015 where the foundations will be set for the running of the Board going forward. Ongoing – Amber.</p>	
Strategic/Objective based activities	Progress	Timescale for completion
<p>Improving employer performance and engagement.</p> <ul style="list-style-type: none"> • Undertake full review of Administration Strategy including approach to dealing with poor performing employers. • Introduce improved system for escalation of endemic employer issues from casework officers to Employers Team. 	<ul style="list-style-type: none"> • An employer issues log is in development for the casework team to log issues as they arise. The Employer's team will monitor this log for patterns and intercede accordingly. This is expected to be delivered by the end of July 2015. Ongoing – Amber. 	Ongoing.
<p>Customer satisfaction.</p> <ul style="list-style-type: none"> • Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard. 	<ul style="list-style-type: none"> • Organisational Workforce Development attended the March Service meeting to give an overview of the Customer Service Excellence Standard. Following this, a Project Team has been formed and we are currently at data gathering stage in order to identify areas for improvement. Ongoing – Amber. • Customer Service Excellence criterion to be discussed at team meetings and implemented going forward. In order to 	Ongoing process throughout 2015-16 into 2016-17.

<ul style="list-style-type: none"> • Embed customer service culture. • Carry out customer satisfaction surveys. • Continue to build on staff capabilities with a number of learning and development activities. 	<p>promote customer service further, a dedicated employer helpline has recently been set up to supplement the employers email; this ensures that employers can always contact a member of the team. Ongoing – Amber.</p> <p>An employer satisfaction survey was undertaken in March. 621 invitations to the survey were sent across both Funds with 101 responses received. The response was overall very positive. An action plan is being developed for areas where improvement is needed. Ongoing – Amber.</p> <ul style="list-style-type: none"> • It is planned that there will be a "member satisfaction survey month" during 2015-16 where a satisfaction survey is conducted following each individual contact with a Scheme member. Ongoing – Amber. • Staff will continue to be offered the opportunity for formal and informal training opportunities. Including the opportunity to multi task within the casework teams. Ongoing – Amber. 	
<p>Source efficiencies to reduce the cost of administering the Fund.</p> <ul style="list-style-type: none"> • Improve efficiency of business processes, particularly those in connection with non Altair based activity. • Improve employer performance. 	<ul style="list-style-type: none"> • Fund processes will be continuously reviewed throughout the year seeking to drive efficiencies. A new process is due to be introduced over the upcoming months for the admission of employers to the scheme; this is to ensure comprehensive guidance is received leading up to an admission and to ensure employers are aware at induction of training available and expectations of the Fund. Ongoing – Amber. <p>The training plan will continue to be developed and delivered throughout 2015-16 and the administration report will be a</p>	<p>Throughout 2015-16</p>

<ul style="list-style-type: none"> • Move to electronic annual benefit statements. • Promote greater use of employer and member self- service facility. • Continue to build on staff capabilities with a number of learning and development activities. 	<p>regular feature of the employer forums which will now be incorporate in workshops in the future. Ongoing – Amber.</p> <ul style="list-style-type: none"> • The intention is to move to electronic annual benefit statements. This must be communicated to members twice before this is feasible. It is intended that the first of these communications will be included in the 2015 annual benefit statement newsletter with an aim of moving to electronic annual benefit statements in 2016. Ongoing – Amber. • Employer Self Service (ESS) has been offered to all employers across both Cambridgeshire and Northamptonshire Pension Funds. With a concerted effort to increase use in place since January 2015. As at 31 March 2015, 111 employers have signed up for access to ESS with 38 of employers approved for activation since January 2015. Once employers are using Employer Self Service, the data that they submit is monitored and those employers who we are confident are submitting sound data are given increased “Direct Update” access. For employers that require support with ESS the Employers Team is available via a dedicated email address and phone number to provide assistance. Ongoing – Amber. • Member Self Service (MSS) has been rolled out to all active members from across both the Cambridgeshire and Northamptonshire Pension Funds. Of the members that were issued with activation keys, 18% have registered to use MSS and have logged on for the first time to access their pension record. <p>Deferred members have also registered and logged onto MSS</p>	
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	<p>for the first time. This is a total of 724 of the 43,010 deferred members (1.7%) across both Funds. Included in the deferred annual benefit statement (due to be issued in June 2015), information will be provided on how deferred members can utilise MSS going forward. Ongoing – Amber.</p> <ul style="list-style-type: none"> Staff will continue to be offered the opportunity for formal and informal training opportunities. Including the opportunity to multi task within casework. Ongoing – Amber. 	
<p>Managing the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models.</p> <ul style="list-style-type: none"> Monitor and manage resource pressures as a result of increasing numbers of scheme employers. Identify split between statutory and potentially chargeable non-statutory activity. Investigate and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects. 	<ul style="list-style-type: none"> There continues to be a review of the impact resulting from an increasing number of Scheme employers on the advisory functions provided by the Service in areas such as the accountancy and employer support. The review will continue to be carried out during rest of the financial year. Ongoing – Amber. The Fund has recently recruited an Employer Services Manager (acting) to ensure that the resources are managed effectively in this area. With the ongoing increase of employers in the Fund, the staffing of the team is being addressed to fill vacant positions. Ongoing – Amber. <p>The FRS17 process is being managed more effectively to ensure the Fund is able to cope with increased pressure at each accounting cycle. The management includes starting the process at the earliest opportunity to establish the number of reports required and to then agree timescales with the actuary and liaise effectively. Ongoing – Amber.</p> <ul style="list-style-type: none"> An exercise has been carried out in order to establish chargeable functions of the Employers Team. A charging structure has been developed based on type of activity in the 	Throughout 2015-16

	<p>fund and amount of time spent; this has been implemented 1 June 2015. Similarly within funding, a charging structure is in place for the Pension Funds administration costs for the FRS17 process. Completed – Green.</p> <ul style="list-style-type: none"> A system has been implemented for regularly carrying out risk assessments on admission bodies and other bodies who have a bond or guarantee in place to ensure that these still appropriately cover the risk exposure to the Fund and scheme employer. This process is done, mostly, on an annual basis but no longer than 3 years and should be carried out 3 months prior to renewal date. Completed – Green. 	
<p>Improve data quality.</p> <ul style="list-style-type: none"> The Guaranteed Minimum Pension (GMP) reconciliation project will ensure that the correct amount of GMP is held on both Altair and on the individual pensioner payroll records. Reconciliation of the pensioner payroll against Altair pensioner records will be run in tandem with the GMP reconciliation project. 	<ul style="list-style-type: none"> The first stage of the project is to reconcile the GMP of pensioner members, then moving to deferred members. The reconciliation of active member GMP data cannot commence until contracting out ceases in April 2016 and HMRC issue their data on this group of members. <p>An initial comparison has been made between the Funds' records held on Altair and the HMRC database and a resulting 51,000 potential discrepancies have been identified either on the amount of GMP or the dates that are applicable to the GMP.</p> <p>Closer inspection of the data has commenced and only a small proportion of cases are actually resulting in the incorrect levels of pension being paid.</p> <p>As the project progresses, the Committee will be supplied with details of how many records have been corrected and the</p>	Throughout 2015-16

	number of any over or underpayments identified. Ongoing – Amber.	
Renewal/review of contracts	Progress	Timescale for completion
Procurement of actuarial, governance and benefits consultancy service. <ul style="list-style-type: none"> LGSS Pensions participation in the refreshing of the National LGPS Framework for Actuarial and Benefits Consultancy contracts to commence from May 2015. 	<ul style="list-style-type: none"> Work to refresh the National LGPS Framework for Actuarial and Benefits Consultancy has been delayed. Further updates will be provided once the project commences. Ongoing – Amber. 	Process to complete by June 2017.
Review Additional Voluntary Contribution providers. <ul style="list-style-type: none"> Gather investment and membership data and analyse performance and popularity of the current providers. Seek information on other suppliers Additional Voluntary Contribution facilities for LGPS members. 	<ul style="list-style-type: none"> Prudential have carried out an internal review on their investment options. A meeting has been arranged for August to discuss the review. A report will be presented at the October Committee meeting. Ongoing – Amber. 	October 2015 Committee meeting.

Contribution Reporting

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions either on time or late (after the 19th of the month following deduction) for the period 1 April 2014 to March 2015.

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
% of Employers Paid on Time	97.3	95.7	97.3	99.5	98.5	96.6	96.9	99.4	99.0	95.7	97.6	91
% of Employers Paid Late	2.7	4.3	2.7	0.5	1.5	3.4	3.1	0.6	1.0	4.3	2.4	9

The average percentage of employers who did not pay their contributions by the 19th day of the month following deduction was 2.9%, per month.

In the quarter, January had 9 late payments totalling £49,537.95, February had 5 late payments of £10,013.66 and in March, there were 19 late payments of £367,105.14. For March, 14 of the 19 late payments were late by three days or less. The total of late payments for this quarter amounted to £426,656.75.

There were three employers who were reported as paying late more than once in this quarter of which the value amounted to £19,097.52. A breakdown of this is below –

Employer	Month	Days Late	Amount	Comments/Action
A	January	21	£1,604.18	Employer was contacted in respect of late payments.
	February	13	£1,487.39	
	March	11	£1,487.39	
B	January	70	£4,530.93	This employer was contacted and escalated which resulted in the three months being paid in April 2015.
	February	42	£5,000	
	March	11	£5,000	
C	January	7	£737.51	Employer was contacted in respect of late payments.
	February	28	£737.51	

All late paying employers are informed that late payment is not acceptable and if they continue to pay late they could incur a late payment penalty. However, in light of these ongoing issues around this area a communication will be sent to all employers addressing importance of making payments in time and subsequent penalties for failing to do so.

In line with the Pension Regulators Code of Practice, 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.

Administration and Investment Expenses

Below is how the Fund has performed against the financial forecast detailed in the Annual Business Plan for 2015-16.

At the time of writing data for only one full calendar month was available which is reflected in the lack of variance from the original estimate.

However, there is a current under spend of £11,000 to the end of April 2015 in the area of LGSS Pensions Services which is relates to staff vacancies that are in the process of being recruited to.

CCC Administration, Governance and Investment Expenses				
30 April 2015	2015-16 Original Estimate £'000	2015-16 Full Year Forecast £'000	2015-16 Variance £'000	Comments
LGSS Pension Service	1,491	1,480	-11	Vacancy factor on staffing
County Council Related Overheads	702	702	-	
Administration Expenses	2,193	2,182	-11	
Direct Fund – Governance Related	415	415	-	
Direct Fund – Governance Related	415	415	-	
Direct Fund – Investment Related	250	250	-	
Direct Fund – Investment Related	250	250	-	
Total Administration, Governance and Investment expenses	2,858	2,847	-11	

Key Performance Indicators – March 2015

Below are the results of how the Pensions Service has performed against the Key Performance Indicators set out in the 2014-15 Annual Business Plan.

Function/Task	Indicator	Target	Average Performance for this quarter	Update/Additional Information
Send welcome letter to new employer.	Welcome letter sent within 15 days of receiving confirmation of conversion from the Academy or from date admission agreement sealed.	90%	100%	Target achieved – See Appendix 2 for past performance.
Complete internal validation of data for new admissions.	Complete internal validation within the agreed time frame.	90%	100%	Target achieved – See Appendix 2 for past performance.
Keep the employer website up to date, including procedural guides, scheme guide and all other documents and forms.	20 working days from date of change/amendment.	100%	100%	Target achieved
Acknowledge death of active/deferred/pensioner member.	Letter issued within 5 working days following notification of death.	100%	99%	Target missed by 1% -See Appendix 3 for past performance.
Notify employees retiring from active membership of benefits award.	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%	100%	Target achieved and exceeded - See Appendix 3 for past performance.

Provide a divorce quotation to employees on request.	Provided within 10 working days from receipt of all information.	90%	55%	Target missed due to a loss of staff in this area and an increase in workloads due to the introduction of the Freedom of Choice legislation. The volume of requests increased significantly prior to the legislation coming into force to allow decisions to be made without the regulatory need for members to obtain financial advice. As the volume of work in the area of divorce quotations is low, if an individual case target was missed, the overall performance would show a significant reduction. A recruitment process is underway to address staff shortages in the section with acting up positions being advertised. See Appendix 3 for past performance.
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%	93%	Target achieved and exceeded. See Appendix 3 for past performance.
Publish the Pension Fund Annual Report and any report from the auditor.	By 31 August following the year end.	100%	100%	This activity has been completed for the year 2014-15 in quarter three.
Provide an FRS17/IAS19 report to employers for their chosen accounting date.	Within one month of the 31 March, 31 July or 31 August (or other) accounting date, providing employer has returned required data to LGSS Pensions Service by	100%	75%	Target missed – 24 employers requested reports for the March accounting exercise. 18 completed reports were delivered on time and 6 were delivered late.

	<p>the 1st of the month in which the accounting date falls.</p> <p>This is a KPI that reflects the performance of the scheme employer, LGSS Pensions Service and the Actuary.</p>			
Performance of each Fund's assets.	<p>Each Fund's assets performance vs. target on a rolling 3 year basis.</p> <p>1.6% above gilts [as at March 2013]. Therefore target is currently 4.6%. Actual performance for both funds is currently around 6.2%. That is: 3.2% above gilts.</p>	>4.6%	11.6%	<p>Target achieved.</p> <p>Performance to 31 March 2015: 3 year performance 11.7%</p>
Fund asset performance in relation to LGPS peers.	Each Fund's ranking on annual, independently produced WM ranking. Final figures produced annually as at the 31 March. Target is for both Funds to be in the top performing third.	<34	26	Target achieved.

Key Performance Indicators – April 2015

Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan in period one.

The following Key Performance Indicators are based on the performance of LGSS Pensions Service.

Function/Task – Service Key Performance Indicators	Indicator	Target	Within Target	Update/Additional Information
Notify leavers of deferred benefit entitlement.	Deferred award letter sent within 40 working days of last day of employment.	90%	98%	Target achieved and exceeded. See Appendix 3 for past performance
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%	91%	Target missed due to a national issue with the administration software (Altair) which has impacted a group of retirements crossing the year end period which has meant that manual calculations have needed to be performed impacting resources .
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	97%	Target achieved and exceeded. See Appendix 3 for past performance
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%	78%	Target missed due to a national issue with the administration software (Altair) which has impacted a group of retirements crossing the year end period which has meant that manual calculations have needed to be performed impacting resources. Actual retirements have been

				prioritised ahead of estimates. See Appendix 3 for past performance.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	100%	58%	Target missed due to loss of staff in this area and an increase in workloads due to Freedom of Choice legislation. The volume of requests increased significantly prior to the legislation coming into force to allow decisions to be made without the regulatory need for members to obtain financial advice. A recruitment process is underway to address staff shortages in the section with acting up positions being advertised. See Appendix 3 for past performance.
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	100%	Target achieved and exceeded.
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	Not relevant for this reporting period.
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	100%	Target achieved and exceeded.

The following Key Performance Indicators are based on the performance of the employers within the Fund

Function /Task – Employer Key Performance Indicators	Indicator	Target	Within Target	Update/Additional Information
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.	Contributions to be received by individual employers by 19 th calendar day of month after deduction and statement/schedule was received by the same date as payment.	100%		Reporting on this KPI will commence in the next Business Plan Update.
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%		Reporting on this KPI will be after the 30 April 2016.
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%	33%	This is due to interfaces not being submitted on time and in the correct format. Close liaison between the Pension Service and the large payroll providers has resulted in progress in this area and the performance should increase for the next quarter as interface files are now being received in the correct format.