

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 20 January 2016

Report by: Head of Pensions

Subject:	October and December 2015 Pension Committee meetings standing reports.
Purpose of the Report	To provide the Pension Fund Board with an executive summary of the standing items discussed at the October and December 2015 Pension Committee meetings.
Recommendations	That the Pension Fund Board note the contents of this report.
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 This report is to bring the Pension Fund Board with an executive summary of the information contained within the standing items on the agenda of the October and December 2015 Pension Committee meetings.

1.2 The standing items were:

- Business Plan Update Report
- Overpayment of Pensions Report
- Employers Admissions and Cessations Report; and
- Governance and Legislation Report.

1.3 The full reports can be found at the links detailed in section 13 of this report.

2. Business Plan Update Report

2.1 Good governance dictates that each Pension Fund should adopt a Business Plan detailing the Fund's objectives and setting out key priorities for the 2015-16 and in some cases, subsequent years.

2.1.1 The Annual Business Plan and Medium Term Strategy 2015-16 to 2017-18 was approved by the Pension Committee at the meeting held on 23 March 2015 and can be found on the LGSS Pensions Service website at the following link;

<http://pensions.cambridgeshire.gov.uk/wp-content/uploads/2015/04/CPF-Annual-Business-Plan-and-Medium-Term-Strategy-2015-16-to-2017-18-for-web.pdf>

- 2.1.2 Updates on the progress made against the Business Plan are presented to the Pensions Committee at every meeting. The updates highlight the progress made on the Fund's activities, its achievement on the key performance indicators and also any other initiatives during each quarter of 2015-16 as laid out in the Business Plan.
- 2.1.3 To summarise, the items within the Business Plan Update presented at the October and December 2015 Pension Committee meetings are as follows;

2.2 Key Fund activities

- 2.2.1 The Annual Business Plan 2015-16 lays out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan relates 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.
- 2.2.2 The table below shows a selection of the key Fund activities and provides an update on how the Fund has been working towards these actions as at November 2015.

Implementing the 2015 governance changes. Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes.	The Pension Regulator's Code of Practice continues to be embedded throughout the year within existing processes to strengthen controls in such areas of contribution monitoring, skills and knowledge and the establishment of processes through which to report breaches of the law. LGSS Pensions are working with the Fund's Benefit Consultants, Hymans Robertson, to produce a robust Knowledge Management Policy for the Committee to approve later in the financial year.	Ongoing process throughout 2015-16 into 2016-17.
Customer satisfaction. Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard.	The Project Team met in November to complete the customer journey map for the contribution monitoring process. Thereafter, all teams will provide evidence for their agreed Customer Service Excellence criteria. Pre-assessment for the standard to be arranged for the end of the financial year.	Ongoing process throughout 2015-16 into 2016-17.
Customer satisfaction. Carry out customer satisfaction surveys.	During October all members going through key processes (excluding death or divorce) have received a customer satisfaction survey asking for their views and the overall experience provided by the Service. The next stage will be to analyse the results and look for any improvements that can be made to the Service.	Ongoing process throughout 2015-16 into 2016-17.
Source efficiencies to reduce the cost of administering the Fund. Improve employer performance.	The format of the Employer Forums held in November 2015 was updated in light of the Employer Survey results (Appendix 1) to include workshops on specific subjects. The topics included the year end submission process, pensionable pay calculations,	Ongoing process throughout 2015-16.

	pension implications on outsourcing and employer discretions. Positive feedback was received from those attending and as such these areas will be incorporated into the 2016-17 training plan as well as forums in the future.	
Source efficiencies to reduce the cost of administering the Fund. Promote greater use of employer and member self- service facility.	Of the active 39,321 Members across both Funds, 6,547 (16.65%) have registered to use Member Self Service and have logged on for the first time to access their individual pension record. Of the 38,972 deferred members across both Funds, 1,146 (2.94%) have registered for the service.	Throughout 2015-16

2.3 Contribution reporting

2.3.1 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 October 2014 to 30 September 2015.

Contributions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Paid on time (%)	96.9	99.4	99.0	95.7	97.6	91	96.1	94.7	95.1	97.9	97.3	97.7
Paid late (%)	3.1	0.6	1.0	4.3	2.4	9	3.9	5.3	4.9	2.1	2.7	2.3

2.3.2 The following table shows the percentage of employers in the Cambridgeshire Pension Fund who submitted their payment schedules either on time or late for the period 1 April 2015 to 30 September 2015.

Schedules	Apr	May	Jun	Jul	Aug	Sep
Submitted on time (%)	93.2	94.1	95.2	97	94.5	93.5
Submitted late (%)	6.8	5.9	4.8	3	5.5	6.5

2.3.3 In line with the Pension Regulator's Code of Practice, LGSS Pensions Service are working with the employers who are paying over contributions later than the statutory deadline and submitting late returns to ensure compliance each month going forward. Employers that persistently pay over late or submit late schedules may be reported to the Pensions Regulator if the breach is deemed as material.

2.3.4 To give further strength to this issue and to demonstrate to the Pensions Regulator that suitable controls are in place a policy entitled "Payment of Employee and Employer Pension Contributions" was drafted and approved at the Pension Committee meeting of the 17 December 2015. This policy will be discussed in detail as an agenda item at this meeting of the Pension Fund Board.

2.4 Administration and Investment Expenses

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

2.4.2 The £55,000 variance is related to an under spend on staff costs due to a number of vacancies that were in place at the beginning of the financial year which continue to be recruited to.

2015-16 (as at 31 October 2015)	Original estimate (£'000)	Full year forecast (£'000)	Variance (£'000)
Administration expenses (a+b):	2,193	2,138	-55
a) LGSS Pensions Service	1,491	1,436	-55
b) County Council related overheads	702	702	
Direct Fund – governance related	415	415	
Direct Fund – investment related	250	250	
Total administration, governance and investment expenses	2,858	2,803	-55

2.5 Key Performance Indicators

2.5.1 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 respect of the period July to October 2015.

Pensions Service KPIs

Function/Task – Key Performance Indicators	Indicator	Target	May – July Within Target	Aug – Oct Within Target
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%	99%	94%
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%	96%	99%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	100%	99%
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%	87%	77%*

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	95%	69%**
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%	N/A%	N/A
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%	97.8%***	N/A

*	<i>Target missed due to an increased volume of estimate requests. Estimate requests are 80% higher than this time last year. Additional promotion of Member Self-Service is taking place to encourage members to access estimates via this Service.</i>
**	<i>Target missed due to the additional training and support required for new staff deployed to this area to ensure the Service has multi-skilled officers for the long term.</i>
***	<i>The 2.17% of statements not being issued by 31 August 2015 was due to late, inaccurate or non submission of year end data from the employer. All remaining statements were issued by 30 November 2015.</i>

Scheme Employers KPIs

Function/Task –Key Performance Indicators	Indicator	Target	May – Jul Within Target	Aug – Oct Within Target
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%	95%	96.3%*
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%	N/A	N/A**
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%	66.7%	44.4%***

*	<i>Target missed due to an increased volume of estimate requests. Estimate requests are 80% higher than this time last year. Additional promotion of Member Self-Service is taking place to encourage members to access estimates via this Service.</i>
**	<i>Target missed due to the additional training and support required for new staff deployed to this area to ensure the Service has multi-skilled officers for the long term.</i>
***	<i>The 2.17% of statements not being issued by 31 August 2015 was due to late, inaccurate or non submission of year end data from the employer. All remaining statements were issued by 30 November 2015.</i>

3. Overpayment of Pensions Report

- 3.1 LGSS Pensions Service report to the Pension Committee each quarter on the value of overpayments of pension that have occurred in the previous quarter and the status of the overpayments that are in the process of being recovered or written off. This follows the approval of the “Overpayment of Pension Policy” at the Pension Committee meeting on the 22 October 2015 which can be found at the following link;

<http://pensions.northamptonshire.gov.uk/wp-content/uploads/2015/11/Overpayments-of-Pension-Policy.pdf>

- 3.2 For the period 1 April to 31 July 2015 the following overpayments of pension occurred;

Overpayment Type	Action	Amount	Total
Retirement	Written off	£193.09 (90 cases)	£366.81
	Recovery	£173.72 (1 case)	
	Recovered	£0	
Death of a pensioner/dependent	Written off	£2,410.35 (25 cases)	£7,584.45
	Recovery	£2,722.24 (5 cases)	
	Recovered	£2,451.86 (2 cases)	

- 3.3 For the period 1 August to 31 October 2015 the following overpayments of pension occurred;

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£55.42
	Recovery	£0	
	Recovered	£55.42 (2 cases)	
Death of a pensioner/dependent	Written off	£2,563.86 (32 cases)	£6,059.44
	Recovery	£3,495.58 (6 cases)	
	Recovered	£0	

- 3.4 The five overpayments totalling £2,722.24 from the 1 April to 31 July 2015 period remain outstanding and the process of recovery is being managed through the LGSS Debt Management Team who will continue to chase the debt until it is paid or a decision is made to write the amount off. The overpayment of £173.72 resulting from an isolated administration error was recovered in full.
- 3.5 The total overpayment value in the process of recovery therefore stands at £6,217.82 (£2,722.24 and £3,495.58) for the period 1 April to 31 October 2015.

4. Employers Admissions and Cessations Report

- 4.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 4.2 The Employers Admissions and Cessations Report provides an update of bodies that are admitted and requests Pension Committee approval to admit admission bodies to the scheme. The report also details the cessation of bodies from the scheme.
- 4.3 At the Pension Committee meeting of the 22 October the following activity occurred;

Pension Committee action:	Scheme Employer
Noted the admission of:	Greater Peterborough University Technical College
Approved the admission of:	Accent Catering Services Ltd
	Alliance in Partnership Ltd
	Churchill Contract Services Ltd
	Smart Kidz Play and Learn Ltd
	Sports Leisure Management Ltd
Noted the cessation of:	Hemingford Grey Parish Council
	Huntingdonshire Citizens Advice Bureau
	Mepal Outdoor Centre
	ABM Catering

- 4.4 At the Pension Committee meeting of the 17 December 2015 the following activity occurred;

Pension Committee action:	Scheme Employer
Noted the admission of:	Action for Children (London Road)
Noted the cessation of:	ABM Catering (Jeavons Wood)
	Cheveley Parish Council

5. Governance and Legislation Report

- 5.1 The Governance and Legislation Report identifies issues concerning the governance of the LGPS and also new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits. The report also provides details of relevant consultations affecting the LGPS and forthcoming training events.
- 5.2 The following sections summarise the information contained within the Governance and Legislation reports presented to the Pension Committee in October and December 2015.

5.3 Activity of the LGPS Scheme Advisory Board

- 5.3.1 In June 2015 the Scheme Advisory Board released a proposal for assistance in developing options for separation of the host authority (administering authority) from the Pension Fund as part of its 2015-16 work plan.

5.3.2 KPMG was successful in tendering for this work and presented their findings to the Board on 21 September 2015. Although no further detail has officially been released from the Scheme Advisory Board, there was a presentation by KPMG at the Pensions and Lifetime Savings Association (previously known as NAPF) Local Authority Forum on 3 November 2015.

5.3.3 KPMG's presentation can be found at the link below and identifies the potential conflicts that exist in the current governance arrangements, the conflicts that could exist and the associated advantages and disadvantages (ranging from cost of change to accountability) in the three proposed options. The presentation does not go as far as to propose a preferred option.

http://www.plsa.co.uk/Your_recent_event_2/Local_Authority_Forum/~media/Image%20Library/Events/Forums/2015/LA%20Forum/Speaker%20presentations/1410-Urrffa-Rafiq.pdf

5.3.4 The Scheme Advisory Board have since stated (at the recent CIPFA Pensions Network Annual Conference) that asset pooling will have an effect on future governance arrangements and so the matter of separation of the Pension Fund from the host authority will be looked at again once the situation is clear.

5.3.5 The Scheme Advisory Board has undertaken, with support from DCLG, a national exercise to benchmark the performance of all LGPS Funds in England and Wales during late 2015 prior to a mandatory exercise linked to the 2016 triennial valuations.

5.3.6 Collectively the 18 LGPS self-assessment key indicators are designed to help the Scheme Advisory Board to nationally assess the relative health of the funds and scheme as a whole. More importantly, the indicators are intended to be a valuable benchmarking tool for administering authorities, and the newly formed Local Pension Boards, to help with the governance process and continuous improvement.

5.3.7 The Scheme Advisory Board have asked all LGPS funds to provide data on the KPIs using 2014-15 information (and 31 March 2013 for actuarial data unless more recent data is available). By taking part in this exercise it is an opportunity for the Fund to:

- Assess the Fund against the examples of best practice for high performing Funds and the examples of concern for each KPI;
- Inform the Scheme Advisory Board how much effort/time/cost undertaking the exercise consumed compared with that reported by the pilot Funds; and
- Provide general feedback on the KPIs and the examples of best practice and the examples of concern, and to offer suggestions for their further clarification, refinement, and improvement.

5.3.8 The Scheme Advisory Board secretariat will consider the outcome from the 2015 exercise during December 2015. The Scheme Advisory Board will make recommendations to DCLG about the KPIs as part of the 31 March 2016 triennial valuation process. They will then be issued in April 2016 and from December 2016 used as tool to assess and support Funds accordingly.

5.4 The Pensions Regulator

- 5.4.1 In June 2015 the Pensions Regulator published its public service pension schemes Compliance and Enforcement Policy which can be found at the following link;

<http://www.thepensionsregulator.gov.uk/doc-library/strategy-and-policy.aspx#s18493>

- 5.4.2 The policy sets out the Pensions Regulator's approach to compliance and enforcement in relation to public service pension schemes. It describes the Pensions Regulator's expectations for compliance with relevant legal requirements and how they will proceed in cases of non-compliance, including when they may use their enforcement powers.
- 5.4.3 The Policy on Reporting Breaches of the Law to the Pensions Regulator as approved at the 17 December 2015 meeting of the Pension Committee demonstrates the Fund's understanding of its legal duties and to implement effective controls to prevent any non-compliance with the law.
- 5.4.4 LGSS Pensions participated in a Pensions Regulator survey on the governance and administration standards in public service pension schemes.
- 5.4.5 The results of the survey will play a key part in the Pensions Regulator's understanding of how schemes are meeting the legal requirements and the standard to which public service pension schemes are being run. The results of the survey will help the Pensions Regulator focus their efforts on areas where they may most usefully provide more guidance, education and support to raise standards. The Pensions Regulator will also use the information gathered to risk assess schemes for intervention as set out in the Pensions Regulator's Compliance and Enforcement Policy.
- 5.4.6 The Pensions Regulator has now produced a report on the data gathered. Full details of the report will be presented to the Board at a future meeting.

5.5 Legislation

- 5.5.1 The Pension Savings Statements for the Pension Input Period that ended 31 March 2015 were issued by the statutory deadline of 6 October 2015. These statements are issued to those LGPS members that have exceeded the Annual Allowance of £40,000 in that Period by virtue of their pension saving in the Pension Fund. The letter accompanying the statements indicate whether it is clear that an Annual Allowance Charge is due or whether it appears that the member has sufficient Carry Forward from previous years to cover the excess in 2014-15. It is a member's personal responsibility to determine whether a Charge will be due, taking into account all of their Pension Savings not just that in the LGPS, and the amount of that Charge. If the Charge is greater than £2,000 the member may request that the Scheme pays the Charge to HMRC on their behalf, and has a reduction to their pension entitlement applied, based on actuarial tables issued by the DCLG.

5.5.2 On 13 October 2015 it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Services Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be approved by both the House of Commons and the House of Lords for it to become law. As yet, nothing has been confirmed concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law.

5.6 Department for Communities and Local Government – LGPS Funds England 2014-15 – Statistical Release (October 2015)

5.6.1 The DCLG Statistical Release provides information on LGPS Funds in England that was gathered via the SF3 return that were submitted by all 81 Administering Authorities. The SF3 return collects information on LGPS Funds' income, expenditure, membership, retirements and other activities. It also shows other associated information for the 2014-15 financial year and changes over the previous years.

5.6.2 The Statistical Release including data going back to 2005-06 can be found at the following link;

<https://www.gov.uk/government/statistics/local-government-pension-scheme-funds-for-england-2014-to-2015>

5.7 Consultations

5.7.1 The Government launched their "Public sector exit payment cap consultation" on 31 July 2015 and this ran until 27 August 2015 and sought views on proposals to legislate for a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from a public sector employment.

5.7.2 On 16 September 2015 the Government has published its response to the consultation to confirm that the Government plans to proceed with the introduction of the cap and it is currently making its way through the House of Lords. During the Bill's passage, the LGA will be making efforts to secure meetings with Government officials to discuss how the cap would work in practical terms. The Government's response to the consultation can be found at the following link;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464367/Public_sector_exit_payments_response.pdf

5.7.3 On 8 July 2015 the Government released a consultation entitled "Strengthening the incentive to save: a consultation on pensions tax relief" to seek views on whether there is a case for reforming pensions tax relief or simply retaining the current system. The consultation closed on 30 September 2015.

5.7.4 In a parliamentary answer on 27 October, the Chancellor of the Exchequer said that further details on the reform will be unveiled in the Budget 2016.

5.7.5 On 20 October 2015 the Government published a consultation on the draft Pensions Act 2014 (Abolition of Contracting-out for Salary Related Pension Schemes) (Consequential Amendments) Order 2016. The consultation invited views on changes to other secondary legislation to take account of the abolition of contracting-out from 6 April 2016.

5.7.6 The consultation ran from 20 October 2015 to 16 November 2015 and can be found at the following link;

<https://www.gov.uk/government/consultations/salary-related-pension-schemes-abolition-of-contracting-out-consequential-amendments>

6. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	<ul style="list-style-type: none">• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	<ul style="list-style-type: none">• Promote the Scheme as a valuable benefit.• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.• 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.• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.• Look for efficiencies in delivering communications including through greater use of technology and partnership working.

Perspective	Outcome
Administration	<ul style="list-style-type: none"> • Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • 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. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	<ul style="list-style-type: none"> • To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

7. Finance & Resources Implications

7.1 Not applicable.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

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

Risk	Risk Rating
There are no risks associated with this report.	

9. Communication Implications

9.1 Not applicable.

10. Legal Implications

10.1 Not applicable.

11. Consultation with Key Advisers

11.1 Not applicable.

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Standing reports from 22 October 2015 meeting of the Pension Committee –

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1070>

13.2 Standing reports from 17 December 2015 meeting of the Pension Committee –

<http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=1090>

14. Appendices

14.1 Appendix 1 –Employer Survey Results 2015

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
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?	Not applicable
Has this report been cleared by Head of Pensions?	Mark Whitby – 04/01/2016
Has this report been cleared by Legal Services?	Not applicable