

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 7 December 2017

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 September to October 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 September to October 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 May 2017 to August 2017 and ensures that the Pension Fund's objectives are being met.

2. Key Business Plan Activities

2.1 Payroll Reconciliation

- 2.1.1 Following the implementation of Altair pensioner payroll in October 2016 an exercise is being undertaken to reconcile the Altair pensioners' payroll records against Altair administration records to ensure that the correct rate of pension is in payment.
- 2.1.2 The exercise is making good progress with 99.66% of the 15,449 pensioner records being reconciled within agreed tolerances of up to £100pa. This exercise so far has identified 128 overpayments and 116 underpayments. Whilst rectification of overpayments, and therefore detailed calculations, have not commenced, at this stage it is not expected that many of the overpayments will be of significant value.
- 2.1.3 The reconciliation is scheduled to complete by 31 December 2017 after which the process of rectifying the over and underpayments will begin.

2.1.4 The Pension Fund Committee will continue to be updated with progress.

2.2 Guaranteed Minimum Pension Reconciliation

2.2.1 As reported previously in the Business Plan Update, the reconciliation of GMP liability held by the Fund compared with that held by HMRC has been outsourced to an external data audit company, ITM Limited.

2.2.2 ITM Limited have confirmed that as at 14 November 55.9% of the initial 79,624 records have been reconciled. This leaves a further 35,130 records to be reconciled.

2.2.3 ITM Limited have raised significant number of queries with HMRC in order to complete the reconciliation. However, with just over a year until the HMRC service closes, HMRC are seeing an increase in the volume of queries and extended resolution times.

2.2.4 As such, it has been agreed that a two month project pause will be implemented from the end of November to the beginning of February 2018 to allow HMRC time to work on the queries ITM Limited have raised with them. The project completion date is now expected to be 31 March 2018 and no additional costs will be charged as a result of the project pause.

2.2.5 Once ITM Limited have finished the reconciliation, LGSS Pensions will rectify any pensions in payment where a corrected GMP alters the value of the pension.

2.2.6 In March 2018, the Pension Fund Committee will be presented with a revised version of the current Overpayment of Pension Policy to approve which will incorporate the approach to how overpaid pensions as a result of a revised GMP will be treated. The policy will also be drafted in conjunction with legal advice on unauthorised payments in the form of overpaid pensions where recovery is not possible and tax is chargeable.

2.2.7 The Pension Fund Committee will continue to be updated as to the progress made in this project through the Business Plan Update reports.

2.3 Overseas Pensioners – proof of existence exercise

2.3.1 The Western Union proof of existence exercise for pension members residing overseas concluded on 31 October 2017. Out of the 242 pensioners that were in the scope of this exercise 213 members successfully completed the exercise.

2.3.2 A full report on the exercise is to be presented at this meeting.

2.4 Procurement of actuarial, governance and benefits consultancy updates

2.4.1 The actuarial, benefits and governance consultancy procurement is on track to have new contractual arrangements in place in the New Year with commencement of the new contract effective from 1 April 2018. A verbal update on the latest progress will be made at the meeting.

2.5 Funding update

- 2.5.1 The funding level at the latest formal valuation was 78.5%. As at 30 June 2017 the funding level has increased to 82.6%. This represents a deficit of £625m at 31 March 2016 decreasing to a deficit of £596m at 30 June 2017.

2.6 Delivery of communications against the plan

- 2.6.1 During September one training session was delivered to a total of 200 delegates on the LGPS and employer responsibilities.
- 2.6.2 Bespoke employer training was delivered was at a conference held by a Multi Academy Trust and two officers from LGSS Pensions attended to give advice to members on the LGPS as well as discuss employer responsibilities with employees of the Trust.
- 2.6.3 During September and October, officers issued 87 customer satisfaction surveys to members. There have been a very small number of responses received to date, however, they have all been positive.
- 2.6.4 The quarterly newsletter, covering quarter 3, was issued in November to all the employers within the Fund via direct e-mail. The newsletter has also been published on the website under the Newsletters/Bulletins section.
- 2.6.5 With the creation of the new member and employer websites due for January 2018, the scheme promotion leaflet and fact sheet has been delayed to coincide with the launch of the websites and an update on this will be provided in March 2018.

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 September 2017 to 31 October 2017. 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	£1,441.27 (20 cases)	£16,118.98 (35 cases)
	In the process of recovery	£14,677.71 (15 cases)	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

*Total Pensioner Payroll for the 16/17 financial year was £63,156,723.11

- 3.1.2 During the period 1 September 2017 to 31 October 2017, 35 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, 20 were automatically written off as the value of the overpayment was less than £250. The remaining 15 cases are currently being pursued for recovery of the overpayment.
- 3.1.3 In this period £8,393.40 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 October 2016 to 30 September 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
October 2016	97.4	2.6	96.7	3.3
November 2016	98.0	2.0	96.8	3.2
December 2016	98.9	1.1	97.6	2.4
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
Average for period	97.6	2.4	95.8	4.2

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

3.3 Variances against the forecast of investments and administration expenses

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

3.4 LGSS Pensions Service and scheme employer key performance indicators

3.4.1 The performance for LGSS Pensions Service for the period 1 September 2017 to 31 October 2017 is as follows -

3.4.2 The full analysis of data for September and October statistics along with explanations on the lower than expected performance can be found in **appendix 3** of this report.

Key Performance Indicators	Target	Month	
		September	October
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%	100	99
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%	99	99
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100	100
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%	99	97
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	80	93
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	96	95
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	100
Issue annual benefit statements to active members as at 31 March. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	N/A

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

Key Performance Indicators	Target %	Month	
		August	September
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%	97.6	98.0
Employers to provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	N/A	N/A

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 – 22 November 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 15 November 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 22 November 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 27 November 2017

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

	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(123,500)	(128,000)	(4,500)	There has been an increase in active membership above levels originally expected
Transfers in from other pension funds:	(5,400)	(5,400)		Demand led
Total income	(128,900)	(133,400)	(4,500)	
Benefits payable	98,300	100,000	1,700	Slight increase in Pensioner numbers over expectations.
Payments to and on account of leavers:	(5,400)	(5,400)	-	Demand led
	103,700	105,400	1,700	
Management Expenses	8,156	8,156	-	No anticipated variance at this time.
Total income less expenditure	(17,044)	(19,844)	(2,800)	
Investment Income	(29,000)	(29,000)	-	No anticipated variance at this time.
Taxes on Income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	(£75,000)	-	No anticipated variance at this time
Net return on investments	(104,000)	(104,000)	-	
Net (increase)/decrease in the net assets available for benefits during the year	(121,044)	(123,844)	(2,800)	

Management Expenses	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,494	2,494	-	
Administration Expenses	2017-18 Estimate	2017-18 Forecast	432	-
Investment Expenses	5,230	5,230	-	
TOTAL MANAGEMENT EXPENSES	£000	£000	£000	
	1,321	8,156	1,321	-
Altair System	261	261	-	
Altair payroll project	0	0	-	
GMP/Payroll Reconciliation Project	150	150	-	One-off cost for 2017/18

<i>Communications</i>	<i>54</i>	<i>54</i>	<i>-</i>	
<i>Other Non-Pay and Income</i>	<i>100</i>	<i>100</i>	<i>-</i>	
<i>County Council Overhead Recovery</i>	<i>608</i>	<i>608</i>	<i>-</i>	
Total Administration Expenses	2,494	2,494	-	

Staff related expenses are forecast to increase from 2016/17 in line with inflationary expectations.

The GMP and Payroll Reconciliation project costs are intended to be a one-off expenditure in order to meet requirements of HMRC to ensure the scheme holds the correct GMP liability for its membership following the cessation of contracting out on 5 April 2016. External expertise is required to complete this project in the most effective manner

Appendix 3 – Key Performance Indicator analysis for September and October 2017

September 2017

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%	469	469	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%	84	83	1	99	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	46	46	0	100	G	SLA target met.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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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%	83	82	1	99	G	SLA target met.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	71	57	18	80	A	Cases outside of SLA target are within the statutory target of 2 months. This area has experienced an increase in volume of 42% from 16/17 to the year to date.
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%	23	22	1	99	G	SLA target met.

October 2017								
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%	584	583	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%	114	113	1	99	G	SLA target met.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	44	44	0	100	G	SLA target met.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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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%	62	60	2	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%	54	50	4	93	A	Cases outside of SLA target are within the statutory target of 2 months This area has experienced an increase in volume of 42% from 16/17 to the year to date.
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%	19	18	1	99	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 all 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