

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board is asked to note the Administration Performance Report
Enquiries to:	Michelle Oakensen – LGSS Pensions Governance Officer moakensen@northamptonshire.gov.uk

1. Background

- 1.1 One of the core functions of the Pension Fund Board 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 Board.

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 Fund 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 January to 31 March 2019 the Fund has met all targets. The detail surrounding the performance of the service can be found in **appendix 2**.

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 3** 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 March 2018 to 28 February 2019

2.3.3 Details of late paying employers for December 2018, January and February 2019 can be found in **appendix 4** of the report. (private and confidential)

2.4 Breaches of the Law

2.4.1 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.

2.4.2 Breaches that have been identified for the period March – April 2019 have been listed below (please note – this excludes late payment of contributions as this is covered in appendix 3 and 4) –

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	N/A
Non Material Breaches	None	N/A

2.5 Internal Dispute Resolution Procedure

2.5.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

2.5.2 Cases within the IDRP process during 2018/19 can be found in the tables below:

2.5.3 Stage 1 disputes:

No. of disputes brought forward from 2017/18:	0	Stage 1 Decisions: Details of the five resolved disputes relating to administering authority decisions are provided below: i) Refusal to allow a transfer; the dispute was not upheld. ii) Refusal to commute a survivor's pension after the survivor had died; the dispute was not upheld. iii) Recovery of overpaid pension; the dispute was upheld. iv) Two cases involving attempted recovery of overpaid pension; the disputes were partially upheld in that the recovery should be limited to overpayments within the preceding 6 years.
No. of disputes raised in the year at 31/3/2019:	6	
No. of disputes resolved in the year at 31/3/2019:	5	
No. of disputes in progress at 31 March 2019:	1	

2.5.4 Stage 2 disputes:

	Scheme Employer	Administering Authority	Stage 2 Decisions:
No. of disputes brought forward from 2017/18:	2	1	Details of the three resolved disputes relating to scheme employer decisions are provided below: i) Refusal to award early payment of a deferred benefit on ill health grounds; the dispute was upheld. ii) Refusal to extend a discretionary deadline; the dispute was not upheld. iii) Refusal to award an ill health pension; the dispute was not upheld. The resolved dispute relating to an administering authority decision concerned refusal to allow a transfer; the dispute was not upheld.
No. of disputes raised in the year at 31/3/2019:	2	2	
No. of disputes resolved in the year at 31/3/2019:	3	1	
No. of disputes in progress at 31/3/2019:	1	2	

2.5.5 Disputes escalated to The Pensions Ombudsman (TPO)

	Scheme Employer	Administering Authority	TPO Decisions:
No. of disputes brought forward from 2017/18:	0	0	The resolved dispute relating to a scheme employer decision concerned the award of a tier 2 ill health pension; the dispute was not upheld.
No. of disputes raised in the year at 31/3/2019:	2	1	
No. of disputes resolved in the year at 31/3/2019:	1	0	
No. of disputes in progress at 31/3/2019:	1	1	

2.5.6 For future reports this information will be for the period that the report covers.

2.6 Employers Admissions and Cessations

2.6.1 The Local Government Pension Scheme Regulations 2013 (as amended) 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.

2.6.2 The following admission bodies have been admitted to the Cambridgeshire Pension Fund

- Advanced Cleaning Services (Kettlefields Primary School)
- Aspens Services Limited (The Harbour School) and (Brampton Village Primary School)
- Caterlink Limited (Witchford Village College)
- Edwards and Blake Limited (Coates Primary School)

- Romsey Mill Trust

2.6.3 The following scheduled body has been admitted to the Cambridgeshire Pension Fund

- Cambridgeshire and Peterborough Combined Authority

2.6.4 The following bodies have ceased the Cambridgeshire Pension Fund

- Whittlesey Internal Drainage Board
- Lunchtime Company Ltd (Abbey Meadows Primary School)
- NECS (Caldecote Primary School)

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 mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Risk mitigated	Residual risk
5	Information may not be provided to stakeholders as required	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

5.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

6. Communication Implications

Direct Communications	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 Variances against the forecast of investments and administration expenses

11.2 Appendix 2 Key Performance Indicators – LGSS Pensions

11.3 Appendix 3 Receipt of Employee and Employer Contributions

11.4 Appendix 4 Late payments of employee and employer contributions (confidential information)

Checklist of Key Approvals

Has this report been cleared by Head of Pensions?	Mark Whitby – 12 April 2019
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Appendix 1 – LGSS Pensions Administration Report

Variations 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 ¹	129,000	128,000	(1,000)	Decrease due to membership movements.
Transfers in from other pension funds ²	4,907	4,200	(707)	Demand led.
Total income	133,907	132,200	(1,707)	
Benefits payable ¹	(101,000)	(102,930)	1,000	Slight movement due to membership changes.
Payments to and on account of leavers ²	(7,246)	(6,750)	218	Forecast shows actuals to date. Further payments out will be demand led.
Total Payments	(108,246)	(109,680)	(1,434)	
	25,661	22,520	(3,141)	
Management Expenses	(8,494)	(8,120)	374	See analysis below.
Total income less expenditure	17,167	14,400	(2,767)	
Investment income	30,000	36,100	6,100	Forecast reflects Q4.
Taxes on income	-	(100)	(100)	Tax incurred on Real Estate Funds.
(Profit) and losses on disposal of investments and changes in the market value of investments	77,000	17,100	(59,900)	Forecast reflects Q4.
Net return on investments	107,000	53,100	(53,900)	
Net (increase)/decrease in the net assets available for benefits during the year	124,167	67,500	(56,667)	

Management Expenses	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	(2,658)	(2,330)	328	See analysis in table below.
Total Governance Expenses ³	(449)	(350)	99	Increase in ACCESS costs.
Total Investment Expenses ⁴	(5,387)	(5,440)	(53)	Forecast reflects Q4
Total Management Expenses	(8,494)	(8,120)	374	

Administration Expenses Analysis	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	(1,436)	(1,250)	186	Expected underspend due to vacant posts.
Altair System	(287)	(300)	(13)	
GMP/Payroll Reconciliation Project ⁵	(60)	(30)	30	Underspend carried forward to 19/20
CRM and new website	(25)	-	25	Funded by internal resources (staff)
Communications	(23)	(30)	(7)	
Other Non-Pay and Income	(212)	(100)	112	Lower spend on legal fees than expected
County Council Overhead Recovery	(615)	(620)	(5)	
Total Administration Expenses	(2,658)	(2,330)	328	

Notes:

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

² Transfers in and out have been based upon the actual experience to 31 December 2018 plus an average of actual transfers in and out of the scheme to date to forecast the movement in January to March 2019.

³ 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).

⁴ Investment expenses are mainly driven by fees paid to managers and are based upon actuals to 31 December 2018 plus a monthly average of actuals incurred to forecast movements in January to March 2019.

⁵ 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.

Appendix 2 - Key Performance Indicators – LGSS Pensions January, February and March 2019

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments (SLA - Service Level Agreement)
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%	January: 149 February: 93 March: 150	149 93 150	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	January: 35 February: 27 March: 22	35 26 22	0 1 0	100% 96% 100%	Green Green Green	SLA target met SLA target met SLA target met
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	January: 26 February: 29 March: 20	26 29 20	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	January: 84 February: 82 March: 75	84 82 75	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	January: 22 February: 20 March: 16	22 20 16	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	January: 6 February: 6 March: 2	6 6 2	0 0 0	100% 100% 100%	Green Green Green	SLA target met 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.

Appendix 3 - 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
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
October 2018	99.3	0.7	96.7	3.3
November 2018	100	0	99.6	0.4
December 2018	99.3	0.7	99.4	0.6
January 2019	99.8	0.2	99.6	0.4
February 2019	100	0	99.6	0.4
Average for period	99.0	1.0	98.0	2.0

