

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 7 July 2016

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2016-17
Purpose of the Report	To present the first Pension Fund Business Plan Update for the 2016-17 financial year to the Pension Committee.
Recommendations	The Committee are asked to note the attached Pension Fund Business Plan update for the 2016-17 financial year.
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1. Background

- 1.1 Good governance ensures 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 and ensures that the Pension Fund's objectives are being met.

2. Business Plan Update

2.1 Guaranteed Minimum Pension/Pensioner Payroll Reconciliation

- 2.1.1 As at 19 April 2016, a comparison between Altair pension in payment values and Oracle pension payments has shown that of the 14,658 records reported upon, 12,209 were showing as reconciled (disparity of less than £25 per year); 750 were showing a disparity of between £25 and less £100 per year leaving 1,496 records to be fully investigated.
- 2.1.2 In total, to date, 886 records have been amended and reconciled with no overpayments or underpayments identified.
- 2.1.3 Work continues to address the remaining un-reconciled records for disparities of greater than £100 a year.

2.2 Overpayment of Pensions

2.2.1 During the reporting period (January, February, March and April) there were no overpayments that occurred for any pensioner members in receipt of a pension. There was one child's pension that was overpaid during the period due to late notification, however the amount was insignificant and therefore written off.

2.2.2 During the period 70 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late members' pension. There are currently 5 of these cases being pursued for recovery of the overpayment.

2.2.3 The information in 2.2.1 and 2.2.2 is summarised in the following table:

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	In the process of recovery	£0	
Death of a Pensioner /Dependent	Written off	£4,796.01 (65 Cases)	£8,663.94
	In the process of recovery	£3,867.93 (5 Cases)	
Eligibility of a child's pension ceases	Written off	£32.34 (1 Cases)	£32.34
	In the process of recovery	£0	

2.2.4 In this period, £4,240.01 has been recovered for the 2015-16 financial year and no monies have been recovered to date in the current financial year across all overpayment types.

2.3 2016 Valuation of the Pension Fund

- 2.3.1 The Scheme actuary has confirmed that stabilised employer contribution rates for 2016-17 can be assumed to apply until 31 March 2018. The actuary is also in the process of carrying out a broad assessment of scheme employers and the results are due to be sent to LGSS Pensions where the risk profile of each employer will be assessed. The scheme actuary will be presenting a comprehensive analysis of both the modelling and stabilisation and risk profiling at the July Committee meeting.
- 2.3.2 On 18 March 2016 scheme employers were provided with a direct communication created by the actuary on the importance of accurate and timely data and the impact this can have on the valuation results. The purpose of this was to give employers the opportunity to submit outstanding data before the final data cut was taken and sent to the actuary.
- 2.3.3 In order to achieve the most accurate contribution rate for each employer, a pre valuation questionnaire is due to be sent to key contacts during June 2016 to establish whether any future employer plans may affect the valuation result so this could be factored in at the earliest opportunity.
- 2.3.4 In addition, an employer forum was held on 22 April 2016, where presentations were delivered by both the scheme actuary and LGSS officers in relation to the valuation process and requirements. There were 63 employers who attended the event and the feedback was positive.
- 2.3.5 As per the valuation plan, in early June, the scheme actuary conducted a valuation briefing session for Chief Finance Officers of the County and District Councils.

2.4 Estimated funding position

- 2.4.1 The Hyman's Navigation Summary provides an update to illustrate the estimated development of the funding position from 31 March 2013 to 31 December 2015. The report looks at the whole fund position and does not allow for the circumstances of individual employers. The results for individual employers can be quite different to the fund as a whole depending on their own experience and the profile of their liabilities. Differences in the relationship between the ratio of accrued liabilities and the payroll can have a large influence on changes in contributions.
- 2.4.2 The funding level as at the latest formal valuation was 72.4%. As at 31 December 2015 the funding level decreased to 69.8%. This is largely as a result of a decrease in bond yields (net of inflation), and subsequent discount rate, which places a higher value. This has been exacerbated by an increase in inflation.

2.5 Variances against the forecast of investments and administration expenses

- 2.5.1 The following tables provide a breakdown of the fund account and supporting tables detailing management expenses. These figures reflect against the original estimate and inform typical reasons for variances with additional specific detail where necessary.

Cambridgeshire	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Contributions	(111,082)	(111,082)	0	Movements in membership and pay.
Transfers in from other pension funds:	(5,370)	(5,370)	0	Demand led
TOTAL INCOME	(116,452)	(116,452)	0	
Benefits payable	92,784	92,784	0	Movements in pensioner membership
Payments to and on account of leavers:	5,370	5,370	0	Demand led
	98,154	98,154	0	
Management Expenses	7,855	7,855	0	See tables below
TOTAL INCOME LESS EXPENDITURE	(10,443)	(10,443)	0	
Investment Income	(28,000)	(28,000)	0	Movements in dividend, property rentals and coupon receipts.
Taxes on Income (Profit) and losses on disposal of investments and changes in the market value of investments	(73,000)	(73,000)	0	Reflects trend movements in investment performance through the year.
Net return on investments	(101,000)	(101,000)	0	
Net (increase)/decrease in the net assets available for benefits during the year	(111,443)	(111,443)	0	

Management Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Total administration expenses	2,249	2,249	0	No material variance
Total governance expenses	428	428	0	No material variance
Total investment expenses	5,178	5,178	0	See below
Total Management Expenses	7,855	7,855	0	

Administration Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Staff related	1,184	1,184	0	No material variance
Altair system	259	259	0	In line with expectations
Communications	64	64	0	No material variance
Other non pay and income	40	40	0	No material variance
County Council overhead recovery	702	702	0	Year end activity
Total Administration Expenses	2,249	2,249	0	

Investment Expenses Analysis	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Management fees	4,720	4,720	0	No material Variance
Investment expenses	458	458	0	No material Variance
Total Investment Expenses	5,178	5,178	0	

2.6 Customer Service Excellence Standard

2.6.1 The LGSS Pension Service is working towards an accreditation in Customer Service Excellence. The standard is designed to operate on three distinct levels:

- As a driver of continuous improvement;
- As a skills development tool; and
- As an independent validation of achievement.

To achieve the standard the LGSS Pensions Service must demonstrate customer focus in the following areas:

- Customer Insight;
- The Culture of the Organisation;
- Information and Access;
- Delivery; and
- Timeliness and Quality of Service

2.6.2 A pre assessment was carried out on 3 March 2016 in which the assessor reviewed 203 individual pieces of evidence for which the feedback was extremely positive. The final assessment was scheduled for 21 June 2016. A verbal update as to the results of the assessment will be provided at the July meeting of the Pension Committee.

2.7 LGSS Pensions Service and scheme employer Key Performance Indicators

2.7.1 The performance for LGSS Pensions Service for the period 1 February 2016 to 30 April 2016 is as follows -

Key Performance Indicators	Target	Month		
		February 2016	March 2016	April 2016
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%	90%	79%	84%
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%	100%	100%	99%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100%	100%	98%

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%	89%	91%	92%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	100%	81%	100%
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%	100%
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	N/A	N/A

2.7.2 The full analysis of data for the February, March and April statistics along with explanations on the lower than expected performance can be found in Appendix 1 of this report.

2.7.3 The performance for scheme employers for the period 1 February 2016 to 30 April 2016 is as follows -

Key Performance Indicators	Target	Month		
		February 2016	March 2016	April 2016
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 were received by the same date as payment).	100%	98.9%*	97.30%*	Unavailable – will be reported on the next 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%	N/A	N/A	N/A

* Work is continuing with employers to ensure timely submission of both payments and schedules for each calendar month

2.8 Timeliness of employer and employee pension contributions

2.8.1 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 April 2015 to 31 March 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
April 2015	98.2	1.8	93.0	7.03
May 2015	97.7	2.3	94.7	5.3
June 2015	97.7	2.3	95.7	4.3
July 2015	97.9	2.1	96.6	3.4
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
March 2016	97.6	2.4	97.3	2.7
Average for period	97.95	2.05	95.9	4.1

2.8.2 Persistent late payments are reported if an employer is late paying contributions to the Fund more than once within the reporting period or 3 months in a rolling 6 month period. On this basis there were four employers in the Fund that persistently paid contributions late and two employers who are yet to make payment for the period 1 January 2016 to 31 March 2016. All late paying employers have been contacted and reminded of the statutory deadline.

2.9.3 The first non payment case was as due to the employer sending a cheque for payment, however cheque payments are no longer accepted and this has been greatly communicated to employers both as bulk communications and direct communications to cheque paying employers. Therefore as of March 2016 cheques received are returned to the employer and until an alternative payment is made this is deemed as non payment.

2.9.4 The second non payment case is in respect of an employer who has been reported previously, full details of the current position is outlined in the Employers Admissions and Cessations Report under section 3.1.

2.9 Altair Payroll

2.9.1 Verbal update to be provided at the meeting.

3 Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

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 the Fund will have significant lack of direction, control and structure in the management of its business.	Amber

6. Communication Implications

Direct Communications	The Pension Fund Business Plan Update will be presented to the Pension Fund 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 – Pensions Service KPI analysis for February, March and April

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?	Sarah Heywood – 14/6/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 26/5/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Leeke – 14/6/2016
Has this report been cleared by Legal Services?	Quentin Baker – 15/6/2016

Appendix 1 – Pensions Service KPI analysis for February, March and April

February 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% 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%	499	449	50	90%
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%	70	70	0	100%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	34	34	0	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%	117	104	13	89%*
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	34	34	0	100%

March 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% 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%	526	416	110	79%**
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%	57	57	0	100%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	25	25	0	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%	101	92	9	91%
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	26	21	5	81%***

April 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% 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%	480	404	76	84%**
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%	95	94	1	99%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	46	45	1	98%
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%	86	79	7	92%
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	4	4	0	100%

- * This indicator is below target due to the Fund receiving an increase in estimate requests when compared to the same periods for the previous year. The amount of estimates being requested has now started to ease and this is reflected in the increased performance in this area.
- ** This indicator is below target due to volumes of checking of both current and backlog cases. There are legacy issues with employers notifying the section in bulk at year end. This is a red rating for March and April as they fall outside of the 5% tolerance
- *** This indicator is below target due to a misinterpretation of the SLA requirements for Interfunds, this was highlighted to relevant individuals and was a one off situation.