

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2018-19
Purpose of the Report	To present the Pension Fund Business Plan Update for the first meeting of the 2018/19 financial year to the Pension Fund Board.
Recommendations	The Board are asked to note and monitor the progress made against the Pension Fund Business Plan for the first meeting of the 2018/19 financial year.
Enquiries to:	Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium Term Strategy are provided to the Board on a regular basis. This update highlights the progress made on the key activities during the first quarter of the 2018/19 Business Plan which was approved by the Pensions Committee on 23 March 2018 and presented to the Pension Fund Board on 20 April 2018.

2. Key Pension Fund Activities

2.1 Service Delivery

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Increase staff retention			✓G	
SD3	Implement additional posts	✓A			

2.1.1 SD1 - Staff recruitment/retention

Action - Keep under review our ability to recruit and retain staff, ensuring any financial or reputational issues with a partner organisation do not impact the governance and administration of the Fund, taking remedial action where necessary.

Update – No recruitment/retention issues to report Q1. Staff development initiatives embedded through normal performance appraisal process.

2.1.2 SD3 – Implement additional posts to structure

Action - Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds.

Update – Posts being entered into establishment before being recruited to. Brand new posts additionally being specified and evaluated. All posts should be recruited to by close of Q2.

2.2 Governance and compliance

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
GC5	The General Data Protection Regulation compliance	✓G			
GC6	Data improvement plan	✓G			
GC8	Guaranteed Minimum Pension reconciliation / rectification	✓G			
GC9	Pensioner administration v pensioner payroll records rectification	✓G			

2.2.1 GC5 – The General Data Protection Regulation (GDPR) compliance

Action - The administering authority must demonstrate compliance with the GDPR by 25 May 2018 when the regulation became enforceable after a two year transition period.

Update –LGSS Pensions has fully completed all demonstrable compliance actions within its remit as follows:

- Publication of the full and summary privacy notices
- Issuance of Memorandum of Understanding to scheme employers
- Production of an Information Asset Register and Record of Processing Activities
- Legal verification that Pension Fund procured existing contracts or variation agreements (e.g. software, independent data audit services, additional actuarial services, overseas pension payments transmission, etc) are compliant with GDPR.

Other activities such as appointing a named Data Protection Officer and legal verification of corporately procured contracts (e.g print and design) remain the responsibility of Northamptonshire County Council.

A more detailed update on GDPR can be found in the Governance and Compliance report to be presented at this meeting.

2.2.2 GC6 - Data improvement plan

Action - It is a requirement of the Pensions Regulator's code of practice on the governance and administration of public service pension schemes to have in place a data improvement plan.

Update – LGSS Pensions have formed a joint partnership with ITM Limited to produce an in-depth audit of the scheme's membership data. At the time of writing this report, the final data audit report was pending completion from which the content would be used to form the basis of the data improvement plan. It is expected that the data improvement plan will be drafted for comments by the Local Pension Board and to be presented to the Pension Committee for approval during the financial year. Work will continue to be undertaken to improve the quality of the Fund's data during this time.

2.2.3 GC8 - Guaranteed Minimum Pension reconciliation / rectification

Action - Following the introduction the end of contracting-out on 6 April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. HMRC are currently operating, until 31 December 2018, a reconciliation service in order for schemes to query and amend the data held.

Update – Following completion of the analytical services of ITM Limited and subsequent investigation of more complex cases by LGSS Pensions all queries have now been sent to ITM Limited to be raised with HMRC for resolution. This has been achieved five months ahead of HMRC's deadline for receiving queries. ITM have committed to sending information to the HMRC by 31 October 2018 which allows for a two month query period in order to meet the ultimate deadline of 31 December 2018. Upon receipt of the final listing of contracting-out liabilities, the rectification of any resulting over or underpayments of pension will begin.

2.2.4 GC9 - Pensioner administration v pensioner payroll records rectification

Action - In October 2016, the Fund migrated its pensioner payroll from the County Council's Oracle payroll solution to Altair payroll and in January 2017 the Altair pensioner administration records were merged with the Altair pensioner payroll records and following an analysis of the two sets of data a number of over and underpayments of pension were identified and require rectification.

Update – Completion of the reconciliation in December 2017 identified 92 underpayments of pension that were rectified between February and May 2018. Rectification of the 154 potential overpayments identified will commence from June 2018 following in depth research and planning that has taken place to ensure to the most appropriate and lawful processes are undertaken to reclaim overpayments of pension. A revised Overpayment of Pensions Policy was presented to the Pension Committee's approval on 24 May 2018.

2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
CSEM4	Monitoring/understanding the member experience	✓G			
CSEM5	Review resilience to cyber crime		✓G		
CSEM6	In-house hosting by LGSS IT		✓G		
CSEM7	Development of employer resources		✓G		
CSEM8	Implementation of HEAT	✓G			
CSEM9	Implementation of ill health self-insurance/pooling	✓G			

2.3.1 CSEM4 – Monitoring/understanding the member experience

Action - During the 4th quarter of 2017/18, a new member survey was issued to all members following contact with officers to measure the level of satisfaction in their experience dealing with the Fund. The results of the survey will be collated and analysed and an action plan developed for improving member experience.

Update - The number of responses to the survey have been extremely low and it is not currently possible to assess the general member experience. Up to now, individual officers have been responsible for issuing a link to the survey, via email.

A new process is being put in place to centrally collate the details of these individuals and they will be sent nightly directly through Survey Monkey, to allow us to track the response rate compared to the number of invitations. Once the effectiveness of this has been assessed we will decide an appropriate approach for the future.

2.3.2 CSEM5 - Review resilience to cyber crime

Action - Cybercrime is becoming an increasing threat to pension funds so it is important to review resilience to such attacks via both internally and externally hosted platforms.

Update - The Employer Services and Systems Manager recently attended a CIPFA discussion day about the Government's National Cyber Crime Strategy and how this is being applied in Local Government. A report will be prepared for the Head of Pensions summarising the key threats, action taken internally and externally to protect against Cyber Crime and what action the Fund should be taking. The Risk Register will be updated to reflect the findings.

Proposed action for the Fund will centre on educating staff and employers on how best to protect themselves against Cyber Crime which in turn will help keep the Fund secure.

2.3.3 CSEM6 - In-house hosting by LGSS IT

Action - In-house hosting of pensions server from Aquila Heywood to LGSS

Update – This is an LGSS IT project. Officers will establish where it sits within the LGSS strategy once a new LGSS Director of IT has been appointed.

2.3.4 CSEM7 – Development of employer resources

Action - The Fund will continue to investigate and implement appropriate improvements to the resources available to employers for providing accurate and timely information, including expanding the monthly collection of data via i-Connect.

Update - The Employer Services team have been having discussions with a select group of small employers to test a new facility for the monthly provision of data, with the trials to start later in the year.

The team has also been developing a new training programme including a specific suite of training for inducting new employers. A new employer website has also been launched to improve our web offering and level of information available to employers online.

2.3.5 CSEM8 – Investigation into use of Hymans Robertson Employer Asset Tracker (HEAT)

Action - HEAT is a unitised approach to tracking employer assets developed by Hymans Robertson, the Fund's actuary. This approach allows the Fund to track individual employer assets on a monthly basis leading to more accurate and transparent valuations for individual employers.

Update – Initial discussions have been held with the Actuary and a more in depth meeting has been planned for June to look at HEAT in greater detail. Following this a recommendation will be taken to the Committee and Board over the possible implementation of HEAT.

2.3.6 CSEM9 – Implementation of ill health self-insurance/pooling

Action - The Fund will work with the actuary to develop and implement new processes for pooling ill health risk and administering the self-insurance arrangements, including oversight of employer decisions to ensure appropriate decisions are being made. Following this a communication plan will be developed to inform employers of the new processes and requirements.

Update - New processes have been put in place for monitoring employer decisions, which will involve a high level review of each case. Cases will be escalated to the Employer Services team to discuss with employers if any concerns are raised.

A periodic assessment of each employer's ill health experience, against the average for the Fund, will also be carried out by the Employer Services team. The team will engage with any employers that have a greater experience than expected, above appropriate tolerance levels.

Training will be offered, where required, to improve decision making by relevant employers. Ultimately, the Fund retains the option to remove any employers from the arrangement, if they are deemed to not be making appropriate decisions after additional training has been provided. These employers will be expected to pay for their own ill health experience.

2.4 Operations

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
Ops1	Processing of undecided leavers	✓G			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓A			

2.4.1 Ops1 – Processing of undecided leavers

Action - The Fund has a number of undecided leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. An in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category is required.

Update – Detailed analysis of the member records is underway and a full action plan for each tranche of casework will be taken to both the Committee and Board. In tandem with this, bulk processing opportunities are currently being explored/implemented.

2.4.2 Ops2 – Establish ESCROW account for 'out of scheme' payments

Action - The Fund requires a non-interest bearing ESCROW account belonging to the administering authority to hold specific pension scheme benefits that if not paid to the appropriate recipients within a specific period of time, then become an unauthorised payment subject to tax charges on both the scheme member or beneficiary and the scheme.

Update – The establishment of an ESCROW account has been deferred due to year end pressures. Initial discussions to understand the requirements were held at the end of May 2018 and work will be undertaken in quarter 2.

2.5 Investments, accountancy and cash flow management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
IA3	Direct investment		✓		
IA4	Responsible investment		✓		
IA6	Strategic Asset Allocation review		✓		

2.5.1 IA3 – Direct Investment

Action - Appoint a manager to create a bespoke local investment fund for the Cambridgeshire Fund, capable of investing in a range of asset classes and to investment parameters agreed by the Pension Fund Committee. Appoint a consultant under Lot 2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

Update - Officers are progressing the appointment of a consultant under Lot2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

2.5.2 IA4 – Responsible investment

Action - Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG integration into investment manager decisions, and monitoring and reporting of investment manager voting.

Update - This is programmed in for the latter half of the 2018-19 financial year and remains on track.

2.5.3 IA6 – Strategic Asset Allocation review

Action - Undertake a full review of the strategic asset allocation of the Fund to ensure the Fund has an appropriate allocation between asset classes in light of its liabilities and funding level. Review to include the different role each asset class plays in the portfolio construction and an investigation into different solutions available for the Fund to invest in.

Update - Papers were considered by the Investment Sub Committee at the 18 May 2018 meeting, recommending the continued implementation of the existing strategy to grow alternative investment options funded over time from listed equities.

3. Relevant Fund objectives

Continually monitor and measure clearly articulated objectives through business planning.

4. 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

5. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee and Board at quarterly business meetings.
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6. Legal Implications

6.1 Not applicable

7. Consultation with Key Advisers

7.1 Consultation with the Funds advisers was not required for this report.

8. Alternative Options Considered

8.1 Not applicable

9. Background Papers

9.1 Annual Business Plan and Medium Term Strategy 2018/19 – <https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2962/Committee/412/Default.aspx>

10. Appendices

10.1 Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

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 Head of Pensions?	Mark Whitby – 5 June 2018

Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

Service Delivery

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
SD1	Increase staff retention		✓				
SD2	Obtain full Customer Service Excellence standard accreditation		✓			✓	
SD3	Implement additional posts	✓					

Governance and Compliance

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC1	Legal services procurement		✓				
GC2	Mortality screening / member tracing services procurement			✓			
GC3	Soft market testing for administration and payroll system procurement						✓
GC4	Review Additional Voluntary Contribution fund range				✓		
GC5	The General Data Protection Regulation compliance	✓					
GC6	Data improvement plan			✓			
GC7	Liability reduction exercises					✓	
GC8	Guaranteed Minimum Pension reconciliation / rectification			✓			
GC9	Pensioner administration v pensioner payroll records rectification		✓			✓	

Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM1	Employer covenant monitoring		✓				
CSEM2	Investigate and prepare for move to electronic communications as standard		✓				
CSEM3	Promotion of member self service		✓				
CSEM4	Monitoring/understanding the member experience	✓					
CSEM5	Review resilience to cyber crime	✓		✓			
CSEM6	In-house hosting by LGSS IT		✓				
CSEM7	Development of employer resources		✓			✓	

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM8	Implementation of HEAT		✓				
CSEM9	Implementation of ill health self-insurance/pooling	✓					
CSEM10	Preparation for the 2019 valuation				✓		

Operations

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
Ops1	Processing of undecided leavers			✓			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓					

Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA1	Investment consultancy services re-tender						✓
IA2	Global custody services re-tender					✓	
IA3	Direct investment			✓			
IA4	Responsible investment			✓			
IA5	Asset pooling				✓		
IA6	Strategic Asset Allocation review			✓			