

Annual Business Plan 2015-16
Update 4 (March 2016)

This is the forth Business Plan Update of 2015-16.

The Annual Business Plan and Medium Term Strategy 2015-16 was approved at the March 2015 meeting of the Pension Fund Board, the purpose of this update is to show the progress made during this fourth quarter linking directly to Cambridgeshire Pension Fund objectives.

To demonstrate the progress made there are four sections that provide the relevant evidence as follows -

- Key Fund challenges
- Contribution reporting
- Administration and investment expenses
- Key Performance Indicators

This update shows how the Fund has performed in terms of actions required and whether KPI targets have been met. The purpose is to highlight outstanding actions in order to reach key milestones and address any areas of poor performance in order to improve and meet targets.

The regular update aims to show the quarterly performance with an overview of the year after the fourth quarter. The update ensures the Fund is keeping on track to ensure the desired outcomes.

Mark Whitby
Head of LGSS Pensions Service

Section 1 - Key Fund activities

The Annual Business Plan 2015-16 laid out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan related 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.

The below table shows the key Fund activities as agreed and provides an update on how the Fund has been working towards these actions.

Regulatory activities	Progress	Timescale for completion
<p>Implementing the 2015 governance changes.</p> <ul style="list-style-type: none">• Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes.• Assist LGSS Democratic Services with the creation and ongoing operation of the Public Service Pensions Act 2013 requirement for each public service pension scheme to have a local pension board.	<ul style="list-style-type: none">• A high level summary of the extent to which the Cambridgeshire Pension Fund is complying with the Code of Practice is detailed in a further report to be presented at the March 2016 meeting of the Pension Committee. Ongoing – Amber• The third Local Pension Board meeting took place on 20 January 2016. As part of the meeting the reports presented at the October and December 2015 Pension Committee meetings were discussed. Completed – Green	<p>Ongoing process throughout 2015-16 into 2016-17.</p>

Strategic/Objective based activities	Progress	Timescale for completion
Improving employer performance and engagement. <ul style="list-style-type: none"> Undertake full review of Administration Strategy including approach to dealing with poor performing employers. Introduce improved system for escalation of endemic employer issues from casework officers to Employers Team. 	<ul style="list-style-type: none"> The Administration Strategy was reviewed as part of the previous business cycle and is scheduled to be brought before the Committee for review in October 2016. Ongoing – Amber The employers issue log is continuing to be used and relevant actions have been taken throughout the year to provide employers with additional support and bespoke training where required. Ongoing – Amber 	Ongoing.
Customer satisfaction. <ul style="list-style-type: none"> Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard. Embed customer service culture. Carry out customer satisfaction surveys. Continue to build on staff capabilities with a number of learning and development activities. 	<ul style="list-style-type: none"> Evidence has been gathered for the agreed assessment criterion in preparation for the pre assessment which is due to take place in March 2016. The service will be applying for full accreditation later in the year. Ongoing – Amber The Customer Satisfaction Survey results identified achievements with processing actual retirements and also areas for improvement such as with the provision of benefit estimates. The feedback is being considered and service improvements will be made accordingly. Ongoing – Amber The CIPFA Benchmarking exercise highlighted a shortage in staff qualifications and this has mainly been due to restructuring. A number of staff are currently obtaining qualifications which will have a positive impact on subsequent benchmarking statistics. Ongoing – Amber 	Ongoing process throughout 2015-16 into 2016-17.

	<ul style="list-style-type: none"> Relevant Officers of the Fund received training by the Scheme Actuary on all aspects of the employer lifecycle including, on boarding, cessation, valuation, accounting reports and employer covenants to ensure relevant knowledge for the 2016 triennial valuation.. Completed – Green 	
<p>Source efficiencies to reduce the cost of administering the Fund.</p> <ul style="list-style-type: none"> Improve efficiency of business processes, particularly those in connection with non Altair based activity. Improve employer performance. Move to electronic annual benefit statements. Promote greater use of employer and member self- service facility. 	<ul style="list-style-type: none"> A policy has been created to ensure Employers are aware of their statutory obligations and the potential ramifications of not achieving paying over both the employee and employer contributions on time. The policy ensures that Officers are adhering to the procedures set and effectively ensures a smoother process with greater controls in place. Completed – Green Training has been provided by Officers for employers to improve the quality of information they provide on scheme members in the areas of pensionable pay which has become increasingly complex since the introduction of the LGPS 2014. Bespoke training has also provided to employers to enable them to fulfil all other areas of scheme administration that falls within their remit as a scheme employer. Officers will continue to provide training for employers both on a collective and individual basis where appropriate. Ongoing – Amber There has been a significant increase in the number of telephone queries concerning member self service as a result of the move to electronic annual benefit statements. It is anticipated that the uptake of member self service will continue to increase due to this factor. Ongoing – Amber Employer self service has seen an increased uptake from scheme employers (from 143 to 252 employers across both 	<p>Throughout 2015-16</p>

	<p>Funds). Employers are using this service to produce various benefit calculations in respect of their employees. This figure is due to increase due to employers being asked to check data extracts via the employer self service in preparation for the 2016 triennial valuation. Ongoing – Amber</p>	
<p>Managing the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models.</p> <ul style="list-style-type: none"> • Monitor and manage resource pressures as a result of increasing numbers of scheme employers. • Identify split between statutory and potentially chargeable non-statutory activity. • Investigate and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects. 	<ul style="list-style-type: none"> • Due to increasing numbers and complexities of scheme employers, Officers now deliver webinars on various topics in order to maximise efficiencies by making the best use of available resources. Encouraging the use of Employer Self Service ensures that the more basic functions can be performed by employers leaving more complex issues to be dealt with by the service. Ongoing – Amber • Individual employer risk will be assessed during the valuation process and Officers will liaise with high risk employers appropriately. Risk will also be monitored through business planning via the risk register and appropriate action will be taken to ensure the Fund is comfortable with the level of covenant a particular employer has. Ongoing – Amber 	<p>Throughout 2015-16</p>
<p>Improve data quality.</p> <ul style="list-style-type: none"> • The Guaranteed Minimum Pension (GMP) reconciliation project will ensure that the correct amount of GMP is held on both Altair and on the individual pensioner payroll records. 	<ul style="list-style-type: none"> • The national requirement to reconcile GMP (contracted out liabilities) due to the cessation of contracting out as of April 2016 has been running in tandem with the payroll reconciliation project. LGSS Pensions Service has been in dialogue with HMRC to settle liabilities that do not belong to the Northamptonshire Local Government Pension Scheme. 	<p>Throughout 2015-16</p>

<ul style="list-style-type: none"> Reconciliation of the pensioner payroll against Altair pensioner records will be run in tandem with the GMP reconciliation project. 	<p>This project will continue during 2016-17 for deferred and retired members and into 2017-18 for active scheme members.</p> <ul style="list-style-type: none"> A full and thorough reconciliation of Altair Payroll vs Oracle Payroll has been ongoing since April 2015. The focus has been on member's Altair and Oracle records that have a variance of greater than £100 per annum +/- . This work will be ongoing into 2016-17. 	
Renewal/review of contracts	Progress	Timescale for completion
<p>Procurement of actuarial, governance and benefits consultancy service.</p> <ul style="list-style-type: none"> LGSS Pensions participation in the refreshing of the National LGPS Framework for Actuarial and Benefits Consultancy contracts to commence from May 2015. 	<ul style="list-style-type: none"> Work to refresh the National LGPS Framework for Actuarial and Benefits Consultancy has been delayed. Further updates will be provided once the project commences. Completed - Green 	<p>Process to complete by June 2017.</p>
<p>Review Additional Voluntary Contribution providers.</p> <ul style="list-style-type: none"> Gather investment and membership data and analyse performance and popularity of the current providers. Seek information on other suppliers Additional Voluntary Contribution facilities for LGPS members. 	<ul style="list-style-type: none"> The Investment Team is looking at the range of investment offerings provided by Prudential on the AVC platform to ensure that we have an appropriate range available to members. A report on the proposed set of investment options will be provided to the Pension Committee at a later date. Ongoing – Amber. 	<p>2015-16 and into 2016-17</p>

Section 2 - Contribution Reporting

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 January 2015 to 31 December 2015.

	Jan -15	Feb -15	Mar -15	Apr -15	May -15	Jun -15	Jul -15	Aug -15	Sep -15	Oct -15	Nov -15	Dec -15
% of Employers Paid on Time	95.7	97.6	91	96.1	94.7	95.1	97.9	97.3	97.7	97.1	98.6	99.3
% of Employers Paid Late	4.3	2.4	9	3.9	5.3	4.9	2.1	2.7	2.3	2.9	1.4	0.7

The average percentage of employers who did not pay their contributions by the 19th day of the month following deduction for this quarter was 1.7% per month.

In the quarter, 14 late payments were made in October totalling £59,933.98. November experienced 7 late payments of £77,842.41 and in December there were 4 late payments of £2,818.64. The total value of late payments for this quarter amounted to £140,595.03.

There were 6 employers who were reported as paying late more than once in this or the previous quarter combined. For this quarter the value amounted to £69,189.75.

A breakdown of this is below –

Employer	Month	Days Late	Amount	Last Quarter	Comments/Action
A	October	18	£226.26	July late August late September late	The employer overpaid originally and ran out of surplus resulting in late payments; this issue has been resolved for November and December.
B	October	16	£2,489.31	July late August late September late	The employer fell behind with payments and was making double payments to catch up. This has been resolved for November and December.
C	October	4	£2,914.90	July late August late September late	The Employer was reminded of the statutory deadline and payments for November and December have been

					made on time.
D	October December	1 5	£218.59 £205.34	July late August late September on time	Cheque payments are not received on time. This has been escalated to the Employers Team for resolution.
E	October November December	10 17 Unpaid	£1,023.28 £1,056.13 £1,056.13	July late August late September late	This employer has been reported to the Pensions Regulator in respect of the late and non-payment. This employer is being closely monitored.
F	October November	19 1	£27,437.67 £32,024.99	July on time August on time September on time	The employer was reminded of their statutory obligations and the issue was resolved for December. This employer will be closely monitored over the next quarter.
G	October November December	5 Unpaid Unpaid	£179.05 £179.05 £179.05	July on time August on time September on time	A change in key personnel has resulted in one late and 2 months of contributions not being paid. The employer has been reminded of their statutory obligations and will be paying outstanding monies as soon as possible. This employer will be closely monitored over the next quarter.

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 31 December 2015. Schedules need to be submitted either before or at the same time as payment is credited to the Fund's bank account to enable reconciliation.

	Apr -15	May - 15	Jun -15	Jul -15	Aug -15	Sep -15	Oct -15	Nov -15	Dec -15
% of Employers submitted on time	93.2	94.1	95.2	97	94.5	93.5	94.8	96.4	98.4
% of Employers submitted late	6.8	5.9	4.8	3	5.5	6.5	5.2	3.6	1.6

Section 3 - Administration and Investment Expenses

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

Administration, Governance and Investment Expenses				
31 March 2016	2015-16 Original Estimate £'000	2015-16 Full Year Forecast £'000	2015-16 Variance £'000	Comments
LGSS Pension Service	1,491	1,475	-16	Vacancy factor on staffing offset by purchase of Altair payroll licence.
County Council Related Overheads	702	772	70	Slippage of projected savings into 2016-17.
Administration Expenses	2,193	2,247	54	
Direct Fund – Governance Related	415	203	-212	Reduced net actuarial charges reflecting greater recovery of costs direct to employers.
Direct Fund – Governance Related	415	203	-212	
Direct Fund – Investment Related	250	686	436	
Direct Fund – Investment Related	250	686	436	Change in CIPFA guidance re grossing up of transaction costs.
Total Administration, Governance and Investment expenses	2,858	3,136	278	

Section 4 - Key Performance Indicators – 1 November 2015 to 31 January 2016

Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan.

The following Key Performance Indicators are based on the performance of LGSS Pensions Service.

Function/Task – Service Key Performance Indicators	Indicator	Target	Within Target (last quarter performance)	Update/Additional Information
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%	92% (94%)	Target achieved and exceeded.
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% (99%)	Target achieved and exceeded.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	97% (99%)	Target achieved and exceeded.
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%	84% (77%)	Overall performance is increasing following the peak in demand for estimates during the year. Since December estimate requests have

				started to fall resulting in the improvement in performance of 94% in both December and January which is 4% above the target. are due to a reduction in estimate requests.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	92% (69%)	Target marginally missed as November had further staff rotations. This has improved greatly for December and January. In January 2016, the target of 95% was achieved.
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	No communications linked directly to scheme changes have been sent in this quarter.
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	

The following Key Performance Indicators are based on the performance of the employers within the Fund

Function /Task – Employer Key Performance Indicators	Indicator	Target	Within Target	Update/Additional Information
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%	98.3% (96.3%)	Work is continuing with employers to ensure timely submission of both payments and schedules for each calendar month. This has improved by 2% since the last quarter
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	
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%	67.7% (66.7%)	Close liaison between the Pension Service and the large payroll providers has continued. The Employers Team is continuing to manage this process with payroll providers that are not achieving the deadlines in order that improvement is made in this area.