

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 8 December 2016

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2016-17
Purpose of the Report	To present the third 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 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 and ensures that the Pension Fund's objectives are being met.

2. Business Plan Update

2.1 Altair Pensioner Payroll Update

- 2.1.1 Altair Pensioner Payroll went live in October after a successful two month parallel running period.
- 2.1.2 All Cambridgeshire Pension Fund pensioners were paid accurately and on time with the exception of 63 members out of approximately 16,169 members who had elected to have their pension paid into an overseas bank account. Regretfully, the BACS file produced from Altair was not programmed to pick up the references held in different locations on Altair Payroll that would enable automatic transfer by the intermediary company, Equiniti, into the member's overseas bank accounts.
- 2.1.3 This issue was resolved by LGSS payroll submitting further information to Equiniti, which ultimately led to the affected members being paid their pension paid 7 days later than they normally would receive payment.

- 2.1.4 All members who received their pension late have been written to and offered reimbursement of any bank charges that may have incurred.
- 2.1.5 Member records have now been updated to ensure that this issue will not arise again.

2.2 Overpayment of Pensions

- 2.2.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 September 2016 to 31 October 2016. Further detail is provided in sections 2.2.2 to 2.2.4.

Overpayment Type	Action	Amount	Total
Death of a Pensioner/Dependent	Written off	£2,014.46 (27 cases)	£5,090.91 (34 cases)
	In the process of recovery	£3,076.45 (7 cases)	
Retirement	Written off	£0	£0
	In the process of recovery	£0	

- 2.2.2 During the period 1 September 2016 to 31 October 2016, 34 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. 27 of the overpayments were automatically written off as the value of the overpayment was less than £250. The remaining 7 cases are currently being pursued for recovery of the overpayment.

In this period, £7,192.15 of overpayments of pension has been recovered for the 2015-16 financial year and £1,616.49 has been recovered to date for the current financial year.

2.3 2016 Actuarial Valuation of the Pension Fund

- 2.3.1 Following the initial Whole Fund Results that were presented at the October meeting of the Pensions Committee, the Actuary has provided the service with individual employer results which were issued to employers ahead of the Employer Forum on 30th November.
- 2.3.2 The risk profile of the Fund's employers is currently also being reviewed to assist with setting the appropriate contribution rates. The most at risk employers will be identified so that it can be decided whether any further investigation is required.
- 2.3.3 A valuation briefing for the County, District and Borough Councils' Chief Financial Officers was held on 15th November in order to discuss the initial valuation results for those scheme employers.
- 2.3.4 For employers attending the forum, these results will be discussed in detail and employers will have an opportunity to raise any concerns they may have.

2.4 Procurement of actuarial, governance and benefits consultancy updates

- 2.4.1 As previously agreed by the Pension Committee, a joint procurement exercise will be undertaken with Northamptonshire Pension Fund to procure actuarial, governance and benefits consultancy services from The National LGPS Framework by 30 June 2017.
- 2.4.2 Joining forms have been submitted to receive supplier catalogues and pricing schedules. Once received, further consideration will be given to progress the procurement process further.

2.5 Variances against the forecast of investments and administration expenses

- 2.5.1 The following table provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2016 to 31 March 2017. These figures reflect against the original estimate and inform typical reasons for variances with additional specific detail where necessary.

	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Contributions	(111,082)	(123,000)	11,918	Variance due to increased active membership, evidenced by 2015/16 outturn of £118,843k being greater than 2016/17 estimate.
Transfers in from other pension funds	(5,370)	(5,370)	0	Demand led
TOTAL INCOME	(116,452)	(128,370)	11,918	
Benefits payable	92,784	97,000	4,216	Variance due to increased pensioner membership, evidenced by 2015/16 outturn of £92,374k being close to 16/17 estimate.
Payments to and on account of leavers	5,370	5,370	0	Demand led.
	98,154	102,370	4,216	

Management Expenses	7,855	8,027	172	See tables below
TOTAL INCOME LESS EXPENDITURE	(10,443)	(17,973)	(7,530)	
Investment Income	(28,000)	(28,000)	0	No variance
Taxes on Income (Profit) and losses on disposal of investments and changes in the market value of investments	(73,000)	(73,000)	0	No variance
Net return on investments	(101,000)	(101,000)	0	
Net (increase)/decrease in the net assets available for benefits during the year	(111,443)	(118,973)	(7,530)	

Management Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Total administration expenses	2,249	2,363	114	See below
Total governance expenses	428	428	0	No variance
Total investment expenses	5,178	5,178	0	See below
Total Management Expenses	7,855	7,969	114	

Administration Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	£000
Staff related	1,184	1,204	20	Part year revised budget to reflect additional posts
Altair system	259	259	0	No variance
Altair payroll project	0	152	152	Variance represents the complete Altair project cost. Actual overspend from original business case is £27,500.
Communications	64	64	0	No variance
Other non-pay and income	40	40	0	No variance
County Council overhead recovery	702	702	0	No variance
Total Administration Expenses	2,249	2,421	172	

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

Governance Expenses Analysis	2016-17 Estimate	2016-17 Forecast	Variances	£000
	£000	£000	£000	
Governance Costs	328	328	0	No variance
ACCESS Asset Pooling Costs	100	100	0	No variance
Total Governance Expenses	428	428	0	

2.6 Customer Service Excellence

2.6.1 The final assessment of the Customer Service Excellence (CSE) accreditation was held on 21 June 2016 and following this the LGSS Pensions Service has been awarded the CSE Standard.

2.6.2 The service will have another full assessment in 2019 with regular mini assessments until this time to ensure the standard the service is delivering remains high during this time.

2.7 LGSS Pensions Service and scheme employer key performance indicators

2.7.1 The performance for LGSS Pensions Service for the period 1 September 2016 to 31 October 2016 is as follows -

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%	97%	97%
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%

Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	90%	85%
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%	85%	74%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	94%	97%
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 each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	100%	N/A
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	60%	100%

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

2.7.3 The performance for scheme employers for the period 1 August 2016 to 30 September 2016 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%	96.6%	97.1
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

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 October 2015 to 30 September 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
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
April 2016	96.3	2.7	94.5	5.0
May 2016	97.0	3.0	95.3	4.7
June 2016	97.2	2.8	96.9	3.1
July 2016	97.2	2.8	99.1	0.9
August 2016	96.6	3.4	95.9	4.1
September 2016	97.1	2.9	97.3	2.7
Average for period	97.5	2.5	96.8	3.2

2.8.2 For August there were 2 employers who did not make a payment and 10 employers who made a late payment equating to £35,461.54 which is approximately 0.35% of the amount due for the month.

- 2.8.3 The 12 employers collectively have 37 employees contributing to the Local Government Pension Scheme. The 2 employers that have not made payment did also not submitted a payment schedule and a therefore monetary amount was not available and not included in the figure.
- 2.8.3 For September 1 employer failed to make a payment and 3 employers made late payments equating to £47,367.89. Which is approximately 0.47% of the total due to the Fund for the month.
- 2.8.4 Four of the above cases were deemed of material significance and have been reported to the Pensions Regulator. The employers have been notified and have been reminded of the statutory requirements going forward.
- 2.8.5 Full details of the employers that have been reported to the Pensions Regulator can be found in appendix 2 (private appendix).

3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning. *Objective 4*

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

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 – Pensions Service KPI analysis for September and October

11.2 Appendix 2 – Employers reported to the Pensions Regulator (**confidential appendix**)

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 Haywood– 22/11/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 14/11/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 22/11/2016
Has this report been cleared by Legal Services?	Laurie Gould – 28/11/2016

Appendix 1 – Pensions Service KPI analysis for September and October 2016

September 2016

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%	393	382	11	97%		
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%	130	130	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	40	36	4	90%		<p>Low volume of case work in this area and this impacts the percentage if there are cases not within target.</p> <p>Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.</p>

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%	67	57	10	85%		Cases outside of SLA target due to high volumes of actual retirement work during August and September, staffing issues and payroll project.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	16	15	1	94%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.
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%	5	3	2	60%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

October 2016

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%	335	326	9	97%		
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%	110	110	0	100%		
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	39	33	6	85%		Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of SLA target due to high volumes of work, staff changes, payroll checking and payroll testing.

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%	164	122	42	74%		Cases outside of SLA target due to a backlog of checking resulting from high volumes of actual retirement work during August and September, staffing issues and payroll project
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	28	1	97%		
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%	5	5	0	100%		

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.**