

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 19 October 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 second meeting of the 2018/19 financial year to the Pension Fund Board.
Recommendations	1) The Board are asked to note the Pension Fund Business Plan Update 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 Committee and Board on a regular basis. This update highlights the progress made on the key activities during the second quarter of the 2018/19 Business Plan which was approved by the Pension Fund Committee on 29 March 2018.

2. Key Pension Fund Activities

2.1 Service Delivery

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Review staff retention		✓G		
SD2	Obtain full Customer Service Excellence standard accreditation		✓G		
SD3	Implement additional posts		✓G		

2.1.1 SD1 – Review staff 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 – Desktop mapping exercise completed but would not assist retention of staff. Other mitigations explored. Wider LGSS workforce planning now underway.

2.1.2 SD2 – Evidence continued customer excellence

Action - Achieve interim Customer Service Excellence (CSE) Standard accreditation and develop and implement Action Plan from feedback received. Undertake full CSE assessment and develop further Action Plan.

Update – Successful completion of the interim CSE assessment with increased compliance plus areas from 2 to 4. The improved areas were in staff insight and improved customer journeys. The full assessment will be undertaken again in August 2019.

2.1.3 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 – The Senior Accounting Technical and Pensions Officer post have been fully recruited to. The Data Quality Officer post was successfully graded at the intended level and was advertised internally and externally with interviews scheduled for 5 October 2018. The Communications Officer job description and person specification is in the process of being written. A verbal update will be provided at this meeting to advise of the outcome of the Data Quality Officer interviews and the progress made in establishing the Communications Officer post.

2.2 Governance and compliance

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
GC1	Legal services procurement		✓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 GC1 – Legal services procurement

Action - The Fund needs to procure its own supplier of Legal Services that has a specialism in pensions and investment law. As such the National LGPS Framework for Legal Services will be used to conduct the procurement. This will save time and expense as the necessary OJEU procurement processes have been completed and only the best quality and value for money suppliers are awarded a place on the Framework. It is proposed that the procurement is undertaken jointly with Northamptonshire Pension Fund to benefit from economies of scale as has been achieved with other joint procurements.

Action – The existing National LGPS Framework for Legal Services is due to expire in January 2019 and has recommended to the Pension Committee that activity should begin once the framework has been refreshed and becomes available to let from also in January 2019. This will allow for the Fund to take advantage of revised and more beneficial terms and conditions from a refreshed range of potential suppliers.

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 – The Data Improvement Policy and the Data Improvement Plan have now been drafted and will be presented at this meeting.

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 – ITM Limited who were procured to perform the reconciliation have confirmed that all necessary queries have been presented to HMRC for resolution. Any queries that need to be referred back to HMRC for a second review will be done so prior to the 31 December deadline. ITM Limited have confirmed that they fully expect to have complete resolution of the reconciliation stage of this project by 31 December 2018. The associated rectification of records where an incorrect rate of GMP has been in payment will commence with effect from 1 January 2019.

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 – The resolution of potential underpayments of pension is nearing full completion with the exception of a few cases which are complex to resolve with complete accuracy. Between February and September 2018, 213 underpayments of pension were fully resolved with arrears of pension and interest paid to the member.

At the time of writing this report 11 out of a potential 236 cases have been confirmed as definitive overpayments, the member contacted and the pension reduced to the correct ongoing rate. Following further investigation 66 of the potential overpayments were found were found not to be overpaid. Of the 11 definitive overpayments, 9 were over £100 and recovery is being sought in line with the Fund's Overpayment of Pension Policy.

2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
CSEM1	Employer covenant monitoring		✓G		

CSEM2	Investigate and prepare for move to electronic communications as standard		✓G	
CSEM3	Promotion of member self service		✓G	
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		

2.3.1 CSEM1 – Employer covenant monitoring

Action - At the 2016 whole Fund valuation, a risk based approach to setting the contribution strategy for employers was introduced. This approach used a high level covenant assessment of employers to group them into various categories to determine the contribution strategy that would apply to them. Employer covenant monitoring has so far been based on information readily available to the Fund, e.g. employer type, guarantor.

This approach now needs to be developed further for riskier employers and incorporate wider external factors into the covenant assessment including an employer's financial position, market position and other related factors. This kind of assessment requires specialised skills and knowledge. The Admission Bodies, Scheme Employers and Bulk Transfers Policy will be reviewed to incorporate covenant assessment.

Update - Conference calls have been arranged with both Hymans Robertson and Aon to discuss the employer covenant monitoring services that they provide with a view to implementing a covenant monitoring process as part of the 2019 valuation.

2.3.2 CSEM2 - Scope move to electronic communications

Action - Since 2015/16 the Fund has been increasing the use of electronic communications with members, such as issuing annual benefit statements to active and deferred members electronically. In addition, the Fund has also begun offering members the option to receive other scheme communications electronically, delivered through member self-service. The next stage is to move to a position of electronic communication by default, unless a member has opted out of electronic communications.

Technical and policy requirements/restrictions need to be investigated to allow decisions to be made as to which electronic communications are possible and/or desired. Following this scoping exercise our Communication Strategy will be reviewed with the view to including electronic communications.

Update - Discussion have been held with the Data protection team to discuss what electronic communications are feasible. This has confirmed that LGSS Pensions are able to send all communications electronically, as long as members had been provided with the adequate notifications that electronic communications will be used as standard. This exercise has already been undertaken for all active and deferred members, as part of the process for moving to electronic annual benefit statements.

The preferred method of providing electronic communications would be to issue communications through the members online pension account. This would ensure the communications remain secure and encourage use of the self-service facility. LGSS Pensions are now in the processes of putting technology in place to easily notify members that documents have been added to their pension account, it is planned to use e-mail and/or text messages to provide these notifications. In order to enable this, a facility used by the Cabinet office "Notify" is currently being explored.

2.3.3 CSEM3 – Promotion of member self service

Action - Take up of member self-service has remained consistent over the last 3 years at approximately 20% of active and deferred members signing up and using this facility. New initiatives to increase use of member self service will be investigated and applied as appropriate.

Update - Member self-service has continued to be promoted (which is now referred to as members "online pension account"), primarily through their employers. To aid this, promotional materials, such as posters, have been sent to scheme employers who have been asked to display these in the workplace or distribute directly to their staff. During August, in the lead up to and during the issuing of annual benefit statements to members, the promotion of the online pension account was increased. All members, for whom an email address is held, were notified via email that their statement were available by registering for and/or logging in to their pension account.

Advertisements have appeared on both Cambridgeshire County Council's and Huntingdon District Council's intranet promoting the online pension account and informing members that their annual benefit statement is now available.

Spikes in new registrations have been identified following campaigns with 1,880 new registrations from May to August and increase from 727 new registrations from January to April across both Cambridgeshire Pension Fund and Northamptonshire Pension Fund.

LGSS Pensions will also be arranging to go to all the major district councils to run Member Self Service demonstrations to the staff to encourage more members to sign up. This would reach a large proportion of our membership base.

The service will also soon be available to existing pensioner members. New pensioners currently have access automatically provided if they had previously signed up as an active or deferred member

2.3.4 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 – 74 surveys to members across both funds have been issued from which 40 responses were received, representing a 54% response rate. This is viewed as an excellent response rate as it is general practice to expect a response rate of just 10-15%. Of the

responses received, 70% rated their experience as excellent, 5% good, 10% satisfactory, and 15% as poor or very poor.

Of the 40 responses received, 15 of these included further text which gives more information on the member experience and offers more feedback on how services can be improved. Feedback will continue to be monitored and actions will be put in place to ensure that these can be dealt with more efficiently in future.

2.3.5 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 Manager has begun preparing a training session for officers to improve awareness of different types of cybercrime and methods used to carry out such crime. This will include a number of simple steps that can be taken as individuals to minimise the risk and impact. This training will also be offered to Committee and Board members.

2.3.6 CSEM6 - In-house hosting by LGSS IT

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

Update – The project is not currently a business priority of LGSS IT and the administering authority are satisfied with current provision. Current Aquila Heywood platform being upgraded.

2.3.7 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 - An introductory email has been issued to all of the District and Borough Councils who are not on the I-Connect system. The email has been issued to the Finance officer responsible for submitting data to LGSS Pensions giving an explanation of the benefits of moving across to I-Connect. LGSS Pensions has also offered webinars and training during the implementation phase. Another email will subsequently be sent a month later to any of the employers who have not responded to discuss further and gather feedback.

An introductory email was also sent to a select number of smaller employers offering the option to test a new version of I-Connect for smaller employers and again offering more bespoke training to help with the transition. A test group will be used to help create a training plan to be used when rolling this out to the wider employer base.

2.3.8 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 – A detailed discussion has been held with Hymans Robertson to discuss the potential implementation of HEAT. Officers believe that this is the correct approach and a proposal has been provided to the Committee for discussion and approval.

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 – Progressing according to separate Action Plan included at Appendix 2

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 – Bank accounts and general ledger codes have been set up. Discussions are underway with the Treasury Team to agree the process for making payments to and from the account, and how these will feed through to the general ledger.

2.5 Investments, accountancy and cash flow management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
IA3	Direct Investment	✓G			
IA5	Responsible Investment	✓G			
IA6	Strategic Asset Allocation review	✓G			

2.5.1 IA3 – Local 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 - The ISC will receive presentations regarding establishing Local Economic Development Funds at its 27 September meeting, with the intention to select a preferred provider to further develop the Funds Local economic development initiative.

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 28 June 2018 meeting, recommending the continued implementation of the existing strategy to grow alternative investment options funded over time from listed equities. A special ISC meeting was held on the 10 September to consider the Fund current property manager and allocation, in addition a presentation from a highly regarded investment risk management provider was received. The committee have requested a follow up report to the November ISC considering diversification and investment risk management options.

3. Relevant Fund objectives

Continually monitor and measure clearly articulated objectives through business planning.

4. Risk Management

4.1 The Pension Fund Committee approves the Annual Business Plan and Medium Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Local Pension Board at every meeting.

4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	The scheme would not be administered in line with regulations and policies	Green
Governance (risk 2)	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Amber

- 4.3 The Fund's full risk register can be found on the Fund's website at the following link:
<http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

5. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Board at its 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.
10.2 Appendix 2 - Unprocessed Leavers Action Plan

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 September 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		✓			✓	

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	Responsible investment			✓			
IA4	Asset pooling				✓		
IA5	Strategic Asset Allocation review			✓			

Appendix 2 - Unprocessed Leavers Action Plan – Cambridgeshire Pension Fund

Casework volumes subject to this Plan

Category	Baseline July 2018	August 2018
Refunds	507	381
Deferred Benefit (single)	442	416
Deferred Benefit (multi)	1,492	1,418
Amalgamation	3,382	3,223
	5,823	5,438

Note this plan excludes business as usual casework volumes in progress that can vary significantly seasonally (e.g. end of year, end of school terms) and will usually be in the range 1-3k.

Proposed actions

Action	Due/Completed
Ring fence and baseline backlog volumes	Completed
Re-engineer refund process so pension record frozen whilst member response awaited	Completed
Freeze all outstanding unclaimed refunds	By end September 2018, subject to Leaving Certificate being on file
Issue entitlement award to all cases where member is a confirmed leaver	Completed
Move cases with nil contributions to “no liability” status (effectively non-starters)	Completed
Inform large employers that we will be placing greater reliance on their submitted data necessitating improved employer-side quality assurance processes	Completed and reminders sent
Introduce reduced validation of employer data for data submitted from October 2018	Completed
Trial bulk processing for single job Deferred Benefit cases	By end October 2018

Request all missing leaving certificates (potentially circa 3,000) from relevant scheme employers and warn about timeliness of information

By end December 2018

Deferred benefit (multi) – Experienced officer to identify required casework and package up work for less experienced officers to process

Trial approach October 2018
Process cases by End June 2019

Introduce new altair pick-up solution to facilitate increased processing

Completed

Amalgamation – Investigate and propose action plan for these cases

Plan by end March 2019
Process from July 2019

Roll out i-Connect to all employers to remove year end processing

By end December 2019

Processing will be undertaken in accordance with previously agreed staff budget including full utilisation of vacancy factor/underspends.