

# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Board

3<sup>rd</sup> July 2020

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Administration Performance Report</b>
<b>Purpose of the Report</b>	To present the Administration Performance Report to the Pension Fund Board
<b>Recommendations</b>	<b>The Pension Fund Board are asked to note the Administration Performance Report</b>
<b>Enquiries to:</b>	Joanne Walton, Governance and Regulations Manager <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

### 1. Background

- 1.1 One of the core functions of the Pension Fund Board is to ensure the effective and efficient governance and administration of the scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

### 2. Variances against the forecast of investments and administration expenses

- 2.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2020.

### 3. Key Performance Indicators – LGSS Pensions

- 3.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 3.2 Full KPI details for the period 1<sup>st</sup> January to 31<sup>st</sup> May 2020 can be found in **appendix 2**.

### 4. Receipt of Employee and Employer Contributions

- 4.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 4.2 The table in **appendix 3** 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 for the period 1<sup>st</sup> May 2019 to 30<sup>th</sup> April 2020.

- 4.3 Details of late paying employers for December 2019, January, February, March and April 2020 can be found in the **private and confidential appendix (appendix 4)** of the report.

## 5. Breaches of the Law

- 5.1 There are many and various laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Fund Board, having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well as breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.

- 5.2 For the period 1<sup>st</sup> January to 31<sup>st</sup> May 2020, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	One stage 1 Internal Dispute Resolution Procedure response was not issued within the 2 month statutory deadline by the employer.	The employer has been contacted and reminded of their statutory obligations.
	Three stage 2 Internal Dispute Resolution Procedure responses were not issued within the 2 month statutory deadline. The responsibility of stage 2 appeals rests with the Cambridgeshire County Council Monitoring Officer.	Processes have been put in place to ensure reminders are sent at appropriate intervals. The Monitoring Officer should issue an extension letter where justifiable to avoid future breaches of this nature.
	16 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5 year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.
	803 entitlement letters were issued outside of the statutory 2 month period from the scheme being notified by the employer that the member had ceased membership.	Internal procedures have been amended to ensure that the issuing of the entitlement letter is undertaken as part of the process. In addition there will be a report run on a monthly basis to ensure these cases are being addressed.
	1,782 welcome letters were not issued to members joining the scheme within the statutory 2 month from the point that the employer has notified the scheme of the member joining.	Welcome letters are now being issued in accordance with the regulations and processes reviewed to ensure there is no delay in the future. The high volumes were as a result of an employer backlog being cleared, with data now being provided monthly.

## 6. Internal Dispute Resolution Procedure

- 6.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 6.2 In the period January to May 2020 the following activity occurred:

Nature of dispute	Stage 1	Stage 2	The Pensions Ombudsman (TPO)
Transfer out of pension benefits after benefit crystallisation event (received 03/12/2018)	Not upheld (29/01/2019)	Not upheld (15/5/2019)	Correspondence exchanged in January 2020. No further contact from TPO since.
Entitlement to frozen refund (received 21/11/2019)	Not upheld (13/01/2020)	N/A	N/A
Transfer out reinstatement (05/12/2019)	Pending additional information from scheme member requested 03/03/2020 – no further communication received.		

## 7. Data Improvement Plan 2019/20 – progress update

### 7.1 Resolution of unprocessed leaver records

**Purpose of activity:** To process all the unprocessed leaver benefits in accordance with the member's entitlement under the LGPS regulations.

**Original timescale for action:** 01/01/2019 – 31/12/2020

**Revised timescale for completion:** 01/01/2019 – 31/03/2021

**Update:** This activity has now been reframed in the 2020-21 Business Plan.

From the baseline position 3,017 (52%) backlog unprocessed leaver cases have now been completed. 309 of the outstanding cases are Phase 1 cases being processed by Aon, but require outstanding employer information in order to be processed.

Category	Total
Baseline (July 2018)	5,823
May 2020	2,806

**Future milestones:** Ongoing progress of this activity has been added to the 2020-21 Business Plan.

## 7.2 Contracted-out liabilities rectification

**Purpose of activity:** To correct any variances to pensions in payment as a result of any changes notified to the contracted-out earnings included within the pension.

**Timescale for action:** Amendments to pensions were scheduled to be made in March 2020.

**Update:** The delay in HMRC issuing the final data file has impacted the completion of this activity. At the time of writing it is expected that the final file of data will be received by 31 July 2020. HMRC have announced that the final file of data will contain some incorrect information which they will not be fixing. As such ITM Limited will be undertaking a further piece of work to ensure that correct information is used when the rectification of member's records is undertaken. Assuming the final file of data from HMRC is issued by 31 July, rectification of member records should commence in the autumn of 2020.

## 8. Employers Admissions and Cessations

8.1 The following admission bodies have been admitted to the Cambridgeshire Pension Fund:

- ABM Catering
- Busy Bee Cleaning Services
- Easy Clean Contractors
- Pabulum Ltd
- Taylor Shaw
- Radis Community Care
- VHS Cleaning Services Ltd

8.2 The following bodies have ceased to be an employer within the Cambridgeshire Pension Fund:

- Advanced Cleaning Services (ACS) Ltd
- Aspens Ltd
- Holmewood and District Internal Drainage Board
- Leisure Provisions Ltd,
- P3 – People, Potential and Possibilities
- Wisbech Grammar School
- Chilford Hundred Trust

## 9. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>

Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

## 10. Risk Management

- 10.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.
- 10.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
5	Information may not be provided to stakeholders as required.	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

- 10.3 The Fund's risk register can be found on the LGSS Pensions website at the following link:  
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

## 11. Communication Implications

<a href="#">Direct communications</a>	The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report.
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## 12. Finance & Resources Implications

- 12.1 There are no financial and resource implications associated with this report.

## 13. Legal Implications

- 13.1 Not applicable

## 14. Consultation with Key Advisers

- 14.1 Consultation with the Fund's advisers was not required for this report.

## **15. Alternative Options Considered**

15.1 Not applicable

## **16. Background Papers**

16.1 Not applicable

## **17. Appendices**

17.1 Appendix 1 Variances against the forecast of investments and administration expenses

17.2 Appendix 2 Key Performance Indicators – LGSS Pensions

17.3 Appendix 3 Receipt of Employee and Employer Contributions

17.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)

<b>Checklist of Key Approvals</b>	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 <sup>nd</sup> June 2020

## Appendix 1 – LGSS Pensions Administration Report

### Variances against the forecast of investments and administration expenses – based on original setting of assumptions

Fund Account	2020-21 Estimate	2020 -21 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	130,000	130,000	-	
Transfers in from other pension funds	5,200	5,200	-	
<b>Total income</b>	<b>135,200</b>	<b>135,200</b>	<b>-</b>	
Benefits payable	(114,000)	(114,000)	-	
Payments to and on account of leavers	(10,200)	(10,200)	-	
<b>Total Payments</b>	<b>(124,200)</b>	<b>(124,200)</b>	<b>-</b>	
	<b>11,000</b>	<b>11,000</b>	<b>-</b>	
Management Expenses	(5,149)	(5,283)	134	See analysis below
<b>Total income less expenditure</b>	<b>5,851</b>	<b>5,717</b>	<b>134</b>	
Investment income	40,000	40,000	-	
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	69,000	69,000	-	
<b>Net return on investments</b>	<b>109,000</b>	<b>109,000</b>	<b>-</b>	
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>114,851</b>	<b>114,717</b>	<b>134</b>	

Management Expenses	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	-2,644	-2,713	69	Increase in staff related costs as below.
Total Governance Expenses	-784	-849	65	Includes £22.5k 19/20 HEAT costs from Hymans. Circa. 200% increase on audit costs for the year due to a review of costs by EY.
Total Investment Invoiced Expenses	-1,721	-1,721	-	
<b>Total Management Expenses</b>	<b>-5,149</b>	<b>-5,283</b>	<b>134</b>	

Administration Expenses Analysis	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,423	-1,496	73	Staff costs are currently over budget as the budget is full capacity less 3 FTE Pension Officers. The section is only 1 FTE off full capacity.
Altair System and payroll system	-336	-336	-	
Data Improvement Projects	-313	-313	-	
Communications	-71	-71	-	
Other Non-Pay and Income	-16	-12	-4	Current underspend on agency costs.
County Council Overhead Recovery	-485	-485	-	
<b>Total Administration Expenses</b>	<b>-2,644</b>	<b>-2,713</b>	<b>69</b>	



## Appendix 2 - Key Performance Indicators – LGSS Pensions January, February, March, April and May 2020

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%	January: 437 February: 206 March: 255 April: 197 May: 186	304 114 224 188 172	133 92 31 9 14	70 55 88 95 92	Amber Amber Amber Green Green	SLA target not met SLA target not met SLA target not met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	January: 45 February: 24 March: 27 April: 35 May: 33	44 23 25 34 32	1 1 2 1 1	98 96 93 97 97	Green Green Amber Green Green	SLA target met SLA target met SLA target not met SLA target met SLA target met
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	95%	January: 42 February: 41 March: 39 April: 57 May: 17	31 38 35 46 16	3 3 4 11 1	74 93 90 81 94	Amber Amber Amber Amber Amber	SLA target not met SLA target not met SLA target not met SLA target not met SLA target not met
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	January: 31 February: 24 March: 12 April: 18 May: 21	31 24 12 18 21	0 0 0 0 0	100 100 100 100 100	Green Green Green Green Green	SLA target met SLA target met SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	January: 64 February: 66 March: 65 April: 43 May: 45	61 66 61 42 44	3 0 4 1 1	95 100 94 98 98	Green Green Green Green Green	SLA target met SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	January: 58 February: 53 March: 48 April: 10 May: 11	58 47 33 8 10	0 6 19 2 1	100 89 69 80 91	Green Amber Amber Amber Amber	SLA target met SLA target not met SLA target not met SLA target not met SLA target not met

Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	January:	6	6	0	100	Green	SLA target met
			February:	5	5	0	100	Green	SLA target met
			March:	9	9	0	100	Green	SLA target met
			April:	4	4	0	100	Green	SLA target met
			May:	5	5	0	100	Green	SLA target met

**Notify leavers of deferred benefit entitlement.** Volume of work delivered caused a delay in being able to check and finalise cases. Half of the Records Team were being used on a high priority project which slowed team productivity. Project work was completed in March and a new process has been implemented.

**Payment of retirement benefits from active employment.** Active retirements were not being completed on time as a result of absences within team in March. Increased resource has been allocated to this area with additional cover to hand if needed to ensure sufficient cover to complete these within the statutory time frame.

**Payment of pension benefits from deferred membership status.** Active retirements took precedent and tasks were not being effectively managed. Increase in other areas of work such as estimates also added to the pressures within the team. There has now been a reorganisation of rotas to ensure these are being processed in a timely manner.

**Provide transfer-in quote to scheme member.** High volumes of work coupled with reduced staff in the team due to sickness in February and March impacted the work carried out in this area. Providing additional team training impacted the statistics for the period January to April and in May the cases were not identified from the work pool early enough, this has now been reviewed to ensure cases are picked up within the statutory and SLA timeframes going forward. System performance issues have also been a contributing factor to the stats from February onwards.

**Appendix 3 - Receipt of Employee and Employer Contributions**

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
May 2019	97.6	2.4	98.0	2.0
June 2019	99.6	0.4	100	0
July 2019	98.7	1.3	95.9	4.1
August 2019	98.3	1.7	99.6	0.4
September 2019	100	0	98.3	1.7
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
December 2019	97.1	2.9	97.1	2.9
January 2020	98.7	1.3	98.7	1.3
February 2020	96.6	3.4	96.7	3.3
March 2020	99.8	0.2	100	0
April 2020	99.6	0.4	99.3	0.7
<b>Average for period</b>	<b>98.8</b>	<b>1.2</b>	<b>98.4</b>	<b>1.6</b>