

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2016-17
Purpose of the Report	To present the second 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.
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

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 Parallel running was completed during August and September, having completed user acceptance testing of the migration data in July. The results of the two parallel periods were very successful and so a decision was made by the Payroll Project Board to go live with Altair Payroll with effect from October.
- 2.1.2 Feedback received from Pensions Administration staff is that the Altair Payroll is much simpler and quicker to use and this will be increasingly the case once the Altair pension administration records and fully merged with the Altair pension payroll records which is scheduled to be carried out in November and December.

2.2 Overpayment of Pensions

- 2.2.1 During the reporting period (May, June July and August) there were no individuals in receipt of a pension that were overpaid.
- 2.2.2 During the period, 77 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. There are currently 4 of these cases being pursued for recovery of the overpayment.
- 2.2.3 The information in 2.2.1& 2.2.2 is summarised in the following table:

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	In the process of recovery	£0	
Death of a Pensioner /Dependent	Written off	£6,035.39 (73 Cases)	£13,146.54
	In the process of recovery	£7,111.15 (4 Cases)	

- 2.2.4 In this period, £2,803.91 has been recovered for the 2015-16 financial year and £1,299.28 has been recovered to date for the current financial year across all overpayment types.

2.3 2016 Valuation of the Pension Fund

- 2.3.1 Fund data has been sent to actuary and queries regarding the data have been resolved. The actuary is now in the process of calculating the whole fund results which will be presented to the Pension Committee under a separate report. Following this individual employer results will be calculated.
- 2.3.2 The risk profile of employers is currently also being reviewed to assist with setting the appropriate contribution rates. The most risky employers will be identified so that it can be decided whether any further investigation is required.
- 2.3.3 An employer forum and valuation briefing for the County, District and Borough Councils' Chief Financial Officers have also been booked for mid to late November in order to discuss the initial valuation results for those scheme employers.

2.4 Estimated funding position

- 2.4.1 The Hyman's Navigation Summary provides details of the Fund's funding position at the last quarterly interval. The position as at 31 March 2016 is detailed in 2.4.2.

2.4.2 The funding level as at the latest formal valuation was 72.4%. As at 31 March 2016 the funding level decreased to 67.4%. This is largely as a result of a decrease in bond yields (net of inflation), and subsequent discount rate, which places a higher value on the Funds liabilities. This has only been partially offset by greater than expected asset returns.

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 August 2016. 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 16/17 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	7,969	0	See tables below
TOTAL INCOME LESS EXPENDITURE	(10,443)	(18,031)	(7,588)	
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)	(119,031)	(7,588)	

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	94	94	Costs to complete Altair project
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	2,363	114	

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	

2.6 The Crystal Mark Standard

2.6.1 One of the Fund's objectives during 2016-17 was to obtain a plain English accreditation in respect of all communications.

2.6.2 The Plain English Campaign looks for documents to be as clear as possible for its intended readers, such as:

- the use of 'everyday' English;
- consistent and correct use of punctuation and grammar;
- an average sentence length of 15 to 20 words;
- plenty of 'active' rather than 'passive' verbs;
- explanations of technical terms;

- good use of lists;
- words like 'we' and 'you' instead of 'the Society' or 'the applicant';
- clear, helpful headings, which stand out from the text; and
- a good type size and a clear typeface

2.6.3 The joint communication group of which both Cambridgeshire Pension Fund and Northamptonshire Pension Fund are a part of alongside nine other LGPS funds submitted a copy of the 2015-16 annual benefit statement for active members to obtain a Crystal Mark standard from the Plain English Campaign.

2.6.4 Feedback was provided by the Plain English Campaign and the group incorporated this into 2015-16 active member annual benefit statements. This means that this specific communication carries the Crystal Mark standard.

2.7 Professional Pensions Award

2.7.1 The LGSS Pensions Service was shortlisted for the Professional Pensions award in Trustee Development. The awards night was held on 14 July 2016 and although the award went to Tesco Pension Scheme the service was credited as a finalist at the event and branding has been provided for this.

2.8 The 2016 LAPF Investment Awards

2.8.1 Paul Tysoe the Funding and Investment Manager was nominated for an outstanding contribution of the year award. The nomination was for all the work invested on the ACCESS pool set up. He was a finalist for the award but did not unfortunately win.

2.9 Pensions Service Improvement Plan

2.9.1 Following the publication of the annual LGSS Customer Survey, individual service areas, including LGSS Pensions, identify improvements that can be in service delivery.

2.9.2 As part of our service improvement plan we have:

- Progressed through the Customer Service Excellence Standard, including a focus on improving the responsiveness of LGSS Pensions
- Improved communication with customers over task timescales
- Made it easier to contact LGSS Pensions by introducing further telephone hunt groups and improved coverage of telephone numbers
- Introduced further managerial oversight of the workflow system to improve identification of individual ownership/performance issues

2.10 LGSS Pensions Service and scheme employer Key Performance Indicators

2.10.1 The performance for LGSS Pensions Service for the period 1 May 2016 to 31 August 2016 is as follows -

Key Performance Indicators	Target	Month			
		May 2016	June 2016	July 2016	August 2016
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%	86%	99%	96%	98%
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%	98%	97%	96%	100%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100%	96%	90%	93%
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%	82%	89%	80%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	100%	100%	90%	96%
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%	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%	N/A	N/A	N/A	N/A
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	100%	100%	100%	100%

2.10.2 The full analysis of data for the May, June, July and August statistics along with explanations on the lower than expected performance can be found in **Appendix 1** of this report.

2.10.3 The performance for scheme employers for the period 1 May 2016 to 31 August 2016 is as follows -

Key Performance Indicators	Target %	Month %			
		May 16	Jun 16	Jul 16	Aug 16
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%	98.2	97.1	97.2	N/A
Provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	66.45	N/A	N/A	N/A

2.10.4 A total of 31.70% of year end submissions were received on time and in the correct format. A further 67.84% were received after the 30 April deadline and 0.44% to date have not been received. The 0.44% represents 2 small employers with a total of 7 employees in the LGPS.

2.10.5 The timeliness of year end submissions has a direct impact on the issuing of the annual benefit statements. This year has seen the first electronic statements issued on member self-service and the web site has been updated to ensure information is available from a link on the front screen. Only 155 members have opted out so far and work will continue over the upcoming months to ensure awareness is increased to members of the Fund in order that they have access to their pension information.

Verbal update to be provided on the number of members accessing member self-service records for the period 31 August 2016 – 14 October 2016.

2.11 Timeliness of employer and employee pension contributions

2.11.1 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 August 2015 to 31 July 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
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
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
Average for period	97.6	2.4	96.4	3.6

- 2.11.2 Persistent late payments are reported if an employer is late paying contributions to the Fund more than once within the reporting period or 3 months in a rolling 6 month period. On this basis there were four employers that made multiple late or non-payments during the period.
- 2.11.3 Two of the cases are cheque paying employers who have been advised that cheques are no longer accepted. From March 2016 cheques received have been returned to each employer and until an alternative payment is made this is deemed as non-payment.
- 2.11.4 One case is in respect of a large employer who has made two late payments and two non-payments for the period. A meeting has been scheduled between the Employer Services and Systems Manager with the Employer to resolve the matter as priority. **A verbal update will be provided as to the outcome of the meeting and whether the Employer should be reported to the Pensions Regulator.**
- 2.11.5 The remaining case has no clear explanation of why contributions were late/missing and they have been reminded of their statutory obligations. If these cases are not resolved (or re-offense) we will deem them as material significance and will be reporting them to the Pensions Regulator
- 2.11.6 The previous case whereby one Employer had not paid contributions to the Fund and had subsequently gone insolvent has now been fully resolved as the letting authority has now paid the outstanding monies to the Fund.

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 the Fund will have 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 May, June, July and August.

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 Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 13/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

Appendix 1 – Pensions Service KPI analysis for May, June, July and August

May 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	640	553	87	86%	Cases outside of SLA target due to high volume of checking
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%	66	65	1	98%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	43	43	0	100%	

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%	107	90	17	84%	Cases outside of SLA target due to high volumes of redundancy work, retirements and staffing issues.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	4	4	0	100%	
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%	1	1	0	100%	

June 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	540	532	8	99%	
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%	66	64	2	97%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	50	48	2	96%	
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%	74	61	13	82%	Cases outside of SLA target as a result of a backlog of checking, from bulk estimate work carried out as a part training of new members of the team.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	6	6	0	100%	
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%	2	2	0	100%	

July 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	560	535	25	96%	
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%	74	71	3	96%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	30	27	3	90%	Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work
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%	93	86	7	92%	
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	26	3	90	Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work
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%	0	0	0		

August 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	451	444	7	98%	
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%	74	74	0	100%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	28	26	2	93%	Cases outside of target due to high volumes of work
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%	108	86	22	80%	Cases outside of target due to high volumes of work and team changes.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	67	64	3	96%	
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%	7	7	0	100%	