

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

9th October 2020

Report by: Head of Pensions

Subject:	Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Committee
Recommendations	The Pension Fund Committee are asked to note the Administration Performance Report
Enquiries to:	Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk

1. Background

- 1.1 One of the core functions of the Pension Fund Committee 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 Committee.

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 June 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 1st June 2020 to 31st August 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 1st August 2019 to 31st July 2020.

- 4.3 Details of late paying employers for May, June and July 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 1st June to 31st August 2020, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	Non-issue of entitlement letters for 11 members when leaving the scheme on 31 st March 2017 as part of a protracted TUPE transfer.	Letters have now been sent to the members.
	2 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.

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 1st June to 31st August 2020 the following activity occurred:

Nature of dispute	Stage 1 (The Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Delay in payment of refund of contributions and amount refunded (received 4 June 2020)	Not upheld (6 July 2020)	N/A

7 Data improvement activity 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: 01/04/2020 – 31/03/2021

Update: As at 31 August 2020 cases have only reduced slightly, to 9,469. This, however, hides the positive progress made in minimising the impact of the 2020/21 year end, when the Fund is notified of missing leavers, the inefficiencies and competing pressures resulting from the coronavirus pandemic, and the fact that Aon have only commenced processing tranche 2 of the backlog in August 2020, again due to the pandemic.

Category	Total
Baseline (April 2020)	9,636
August 2020	9,469

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. The final file of data has now been received and ITM Limited are currently undertaking a further piece of work to ensure that correct information is used when the rectification of member's records is undertaken, due to HMRC's data containing errors. Rectification of member records should commence in the autumn of 2020.

8. 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. *Objective 1*

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. *Objective 2*

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. *Objective 3*

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

Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*

Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

9. Risk Management

9.1 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.

9.2 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
6	Information may not be provided to stakeholders as required.	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
17	Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

9.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: [Pension Fund Risk Register Hyperlink](#)

10. Communication Implications

Direct communications	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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11. Finance & Resources Implications

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

12. Legal Implications

12.1 Not applicable

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 Not applicable

15. Background Papers

15.1 Not applicable

16. Appendices

- 16.1 Appendix 1 Variances against the forecast of investments and administration expenses
- 16.2 Appendix 2 Key Performance Indicators – LGSS Pensions
- 16.3 Appendix 3 Receipt of Employee and Employer Contributions
- 16.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)

Checklist of Key Approvals

Is this decision included in the Business Plan? No

Will further decisions be required? If so, please outline the timetable here No

Is this report proposing an amendment to the budget and/or policy framework? No

Has this report been cleared by Section 151 Officer? Sarah Heywood – 24th September 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 15th September 2020

Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 24th September 2020

Has this report been cleared by Legal Services? Fiona McMillan – 18th September 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	-	
Total income	135,200	135,200	-	
Benefits payable	(114,000)	(114,000)	-	
Payments to and on account of leavers	(10,200)	(10,200)	-	
Total Payments	(124,200)	(124,200)	-	
	11,000	11,000	-	
Management Expenses	(5,149)	(5,220)	71	See analysis below.
Total income less expenditure	5,851	5,780	71	
Investment income	40,000	28,000	12,000	30% income decline. Average estimated by investment managers.
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	69,000	69,000	-	
Net return on investments	109,000	97,000	12,000	
Net increase/(decrease) in the net assets available for benefits during the year	114,851	102,780	12,071	

Management Expenses	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	-2,644	-2,729	85	See below.
Total Governance Expenses	-784	-770	-14	
Total Investment Invoiced Expenses	-1,721	-1,721	-	
Total Management Expenses	-5,149	-5,220	71	

Administration Expenses Analysis	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,423	-1,509	86	Vacancy factor lower than forecast due to COVID-19 plus the addition of one Pension Officer within Service. There has been a reduction in agency cost and staff training costs.
Altair System and payroll system	-336	-349	13	Additional internal software licensing costs
Data Improvement Projects	-313	-327	14	Additional software licensing costs for third party project activity
Communications	-71	-69	-2	
Other Non-Pay and Income	-16	-10	-26	Income currently higher than expenditure
County Council Overhead Recovery	-485	-485	-	
Total Administration Expenses	-2,644	-2,729	85	

Appendix 2 - Key Performance Indicators – LGSS Pensions June, July and August 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%	June: 237 July: 285 August: 188	220 262 176	17 23 12	93 92 94	Green Green Green	SLA target 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%	June: 37 July: 37 August: 32	36 37 32	1 0 0	97 100 100	Green Green Green	SLA target 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.	90%	June: 42 July: 34 August: 44	41 32 42	1 2 2	98 94 95	Green Green Green	SLA target met SLA target met SLA target met
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	June: 34 July: 34 August: 20	34 33 20	0 1 0	100 97 100	Green Green Green	SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	June: 36 June: 33 August: 38	33 33 30	3 0 8	92 100 79	Green Green Amber	SLA target met SLA target met SLA target not met*
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	June: 68 July: 58 August: 33	67 56 33	1 2 0	99 97 100	Green Green Green	SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	June: 4 July: 9 August: 2	4 9 2	0 0 0	100 100 100	Green Green Green	SLA target met SLA target met SLA target met

*Provide a maximum of one estimate of benefits to employees per year on request - A weekly report did not pull through all outstanding estimate checking; this report is now being thoroughly checked to ensure that it shows all outstanding estimate checking going forward.

Green: Equal to or above Service Level Agreement (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 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.

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
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
May 2020	100	0	100	0
June 2020	99.5	0.5	99.3	0.7
July 2020	99.3	0.7	100	0
Average for period	99.0	1.0	98.8	1.2