

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 29 June 2017

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2017-18
Purpose of the Report	To present the first Pension Fund Business Plan Update for the 2017-18 financial year to the Pension Committee.
Recommendations	The Committee are asked to note the attached Pension Fund Business Plan Update for the 2017-18 financial year.
Enquiries to:	Name – Jo Walton, Governance and Regulations Manager 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. Payroll Reconciliation

- 2.1.1 The reconciliation of Altair payroll records against Altair administration records is making good progress. Of 1,614 potential over and underpayments over £100 pa, 392 cases have been looked into. Of these 392 cases, 113 cases have been identified as underpayments and 2 as overpayments. The other 277 cases that have been looked at are neither over or underpayments. In the majority of cases the payroll record was correct and the administration record was incorrect. All incorrect administration records have been amended accordingly.

2.2 GMP Reconciliation

- 2.2.1 At the March 2017 meeting of the Pension Committee, a budget of £150,000 was agreed for 2017-18 (via the Annual Business Plan 2017-18) to carry out the reconciliation of contracting-out (GMP) data between HMRC and Altair records.

- 2.2.2 From the total deferred and pensioner population of 50,538 members in the Cambridgeshire Pension Fund, a total of 35,279 members' contracting data requires investigation plus an as yet unknown number of active member records. It has therefore been considered necessary to seek external support in completing the reconciliation.
- 2.2.3 As such a direct award via the National LGPS Frameworks has been made to Independent Transition Management Limited (ITM) to carry out the reconciliation of data.
- 2.2.4 ITM will use analytics to match up multiple periods of contracted out service of an individual to potentially multiple administration records of that individual. There are an estimated 17,000 deferred and pensioner records across both schemes that need matching (plus the active members for whom we do not yet have this information for).
- 2.2.5 ITM will also query with HMRC any differences in the value of contracted out liability held between the scheme's records and HMRC's of which there are approximately 5,000 differences already identified on pensioner and deferred data (across both schemes). This will ensure that the Fund only has the liability and the correct value of that liability that corresponds to the period of contracted out service in this scheme that has not already been extinguished (due to refunds of contributions or transfers out).
- 2.2.6 The reconciliation of contracting-out data must be completed by 31 December 2018 as this is when HMRC will close to any further queries or amendments to their records on GMP liability. It will be at this stage that HMRC will write to all individuals with a contracting-out liability and identify which pension scheme is responsible for it.
- 2.2.7 The contract with ITM commenced on 1 June 2017 and is expected to take seven months to complete. ITM will provide progress reports every two weeks and face to face meetings will be held every other month. LGSS Pensions will report progress to the Pension Committee at each meeting.
- 2.2.8 LGSS Pensions will be expected to complete between 400-500 case reviews to ensure that ITM are taking the correct reconciliation action. In order for the project to complete in seven months, LGSS Pensions will need to complete case file reviews within three weeks of receipt. This will be closely monitored.
- 2.2.9 Once ITM have finished the reconciliation, it will be for LGSS Pensions to complete the rectification of any incorrect contracting-out liability and make adjustments to pensions in payment accordingly.

2.3 Overpayment of Pensions

- 2.3.1 The following table summarises the overpayments of pension, those overpayments in recovery and those written off during the period 1 February 2017 to 30 April 2017. Further detail is provided in sections 2.3.2 to 2.3.4.

Overpayment Type	Action	Amount	Total
Death of a Pensioner/Dependent	Written off	£1,942.16 (24 cases)	£11,002.47 (35 cases)
	In the process of	£9,060.31 (18 cases)	

	recovery		
Retirement	Written off	£0	£0
	In the process of recovery	£0	

* Total Pensioner Payroll for the 16/17 financial year is approximately £64.3m

2.3.2 During the period 1 February 2017 to 30 April 2017, 35 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. Of the overpayments, 24 were automatically written off as the value of the overpayment was less than £250. The remaining 18 cases are currently being pursued for recovery of the overpayment.

2.3.3 In this period £16,484.02 has been recovered to date for the 2016-17 financial year across all overpayment types.

2.4 Timeliness of employer and employee pension contributions

2.4.1 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 April 2016 to 31 March 2017.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
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
October 2016	97.4	2.6	96.7	3.3
November 2016	98.0	2.0	96.8	3.2
December 2016	98.9	1.1	97.6	2.4
January 2017	98.0	2.0	95.0	5.0
February 2017	97.7	2.3	94.7	5.3
March 2017	98.0	2.0	94.4	5.6
Average for period	97.5	2.5	96.2	3.8

2.4.2 Details of late paying employers can be found in **appendix 1** of this report (**Private appendix**)

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 2017 to 30 April 2017.

	2017-18 Estimate	2017-18 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(123,500)	(123,500)	-	
Transfers in from other pension funds:	(5,400)	(5,400)	-	Demand led
TOTAL INCOME	(128,900)	(128,900)	-	
Benefits payable	98,300	98,300	-	
Payments to and on account of leavers:	5,400	5,400	-	Demand led
	103,700	103,700	-	
Management Expenses	8,156	15,640	7,484	See restatement comment below
TOTAL INCOME LESS EXPENDITURE	(17,044)	(9,560)	7,484	
Investment Income	(29,000)	(29,000)	-	
Taxes on Income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	(82,484)	(7,484)	See restated comment below
Net return on investments	(104,000)	(104,000)	-	
Net (increase)/decrease in the net assets available for benefits during the year	(121,044)	(121,044)	-	

These figures reflect against the original estimate and inform typical reasons for variances with additional specific detail where necessary

2.5.2 The forecast does not indicate any expected variance. Estimates are based on prior year actuals, adjusted for expected additional project costs and cost savings. It is unusual to see significant variances to estimated costs so early into the financial year.

Management Expenses	2017-18 Estimate £000	2017-18 Estimate £000	Variance £000	Comments
Total Administration Expenses	2,494	2,494	-	
Total Governance Expenses	432	432	-	
Total Investment Expenses	5,230*	12,714	7,484	Please see comment below
TOTAL MANAGEMENT EXPENSES	8,156	15,640	7,484-	

Investment expenses have been uplifted to reflect the impact of measuring and reporting pooled fund fees, previously incorporated in the change in market value of investments. This adjustment affects both Investment expenses and the change in market value of investments and has no impact on the overall net assets available to pay benefits.

The restated estimate for 2017/18 would have reflected a restated value for 2016/17 which has been undertaken for the Statement of Accounts. This figure is *£12,588, therefore the variance based on the restated figure would be £126k.

Administration Expenses Analysis	2017-18 Estimate £000	2017-18 Estimate £000	Variance £000	Comments
<i>Staff Related</i>	1,321	1,321	-	
<i>Altair System</i>	261	261	-	
<i>Altair payroll project</i>	-	-	-	
<i>GMP and Payroll Reconciliation project</i>	150	150	-	One-off cost for 2017/18
<i>Communications</i>	54	54	-	
<i>Other Non-Pay and Income</i>	100	100	-	
<i>County Council Overhead Recovery</i>	608	608	-	
Total Administration Expenses	2,494	2,494	-	

2.5.3 Staff related expenses are forecast to increase from 2016/17 in line with inflationary expectations.

2.5.4 The GMP and Payroll Reconciliation project costs are intended to be a one-off expenditure in order to meet requirements of HMRC to ensure the scheme holds the correct GMP liability for its membership following the cessation of contracting out on 5 April 2016. External expertise is required to complete this project in the most effective manner.

2.6 Procurement of actuarial, governance and benefits consultancy updates

- 2.6.1 The procurement of actuarial, governance and benefits consultancy services is due to be procured via the LGPS National Frameworks with a view to have contracts starting on 1 January 2018. A report will be presented to the Pensions Committee on 23 June 2017 which will outline a process to be agreed in order to proceed with the process.

2.7 LGSS Pensions Service Improvement Plan

- 2.7.1 LGSS Pensions are undertaking further work to establish the responsiveness of the service by obtaining additional feedback from a range of customers of both our professional and transactional services. In addition, improvements in performance reporting through the Workflow system are being investigated.
- 2.7.2 LGSS Pensions are also bringing the Altair system contract co-terminus with the Altair payroll contract following discussions with LGSS Procurement. At the same time the MSS module is being replaced with the latest version that in particular is far more compatible with mobile devices. The costs of the new MSS module will be £20,382 per Fund to implement and an annual cost of £4,223, these costs reflect a reduction in fees which was negotiated by the service.

2.8 The delivery of communications against the plan

- 2.8.1 There has been some key activity taken in line with the communication strategy. Webinar training has been delivered to 50 employers over four sessions focussed on providing employers with training to complete the Year End process. Two webinar sessions were also delivered to 48 employers focussing on the correct calculation of pensionable pay. Both webinars were attended by representatives from EPM and DEMAT whom facilitate the payroll for a large number of employers in the Fund. Therefore the overall reach of the training was 303 employers. Webinars are held across both funds for economies of scale and therefore the numbers quoted above are for both Cambridgeshire and Northamptonshire employers.
- 2.8.2 Pensioner newsletters were sent to members in May. These provided information regarding pension's increase, the end of contracting out and options for topping up State Pension benefits as well as information about fraud prevention. In addition, letters have been sent to all deferred members of the LGPS to promote the use of Member Self Service and remind them that their benefit statements will be provided electronically from this year onwards and will be available on 30 May. The newsletter is available at - <http://pensions.northamptonshire.gov.uk/wp-content/uploads/2017/05/CPF PensionerMatters2017.pdf>
- 2.8.3 The Spring employer forum has been rescheduled for the autumn due to the last forum taking place in November 2016 and there being no major new information for employers at this time. It was anticipated that take up would be small and that resources would be best placed on other activities.

2.9 LGSS Pensions Service and scheme employer key performance indicators

2.9.1 The performance for LGSS Pensions Service for the period 1 February 2017 to 30 April 2017 is as follows -

Key Performance Indicators	Target	Month		
		February	March	April
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%	99%	100%	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%	100%	95%	95%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	81%	92%	84%
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%	44%	57%	50%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	80%	66%	31%
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	100%	50%	33%

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%
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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
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2.9.2 The full analysis of data for February, March and April statistics along with explanations on the lower than expected performance can be found in **appendix 2** of this report.

2.9.3 An analysis of the previous 12 months KPI performance can be found in **appendix 3** of this report.

2.9.4 The performance for scheme employers for the period 1 February 2017 to 30 April 2017 is as follows -

3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>			
Key Performance Indicators	Target %	Month %	
		February	March
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%	97.8%	98.0%
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

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 – Details of late paying employers (private)

11.2 Appendix 2 – KPI supporting information

11.3 Appendix 3 – Previous 12 months KPI statistics

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 Section 151 Officer?	Sarah Heywood –15 June 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 2 June 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 15 June 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker –9 June 2017

Appendix 2 – Key Performance Indicator analysis for February, March and April
February 2017

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%	598	592	5	99%	G	
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%	52	52	0	100%	G	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	31	25	6	81%	A	Cases outside of SLA target due to development of new team members.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within	RAG	Comments
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						Target		
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%	101	44	57	44%	A	Cases outside of SLA target due to the prioritisation of work in other areas
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	30	24	6	80%	A	Cases outside of SLA target due to development of new team members
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%	6	6	0	100%	G	

March 2017								
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%	613	613	0	100%	G	
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%	61	58	3	95%	G	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	50	46	4	92%	A	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within	RAG	Comments
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						Target		
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%	90	51	39	57%	A	Cases outside of SLA target due to the prioritisation of work in other areas
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	32	21	11	66%	R	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.
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	1	1	50%	A	Cases outside of SLA target due to a vacancy factor and development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

April 2017								
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%	380	379	1	99%	G	
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%	61	58	3	95%	G	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	43	36	7	84%	A	Cases outside of SLA target due to development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

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%	132	66	66	50%	A	Cases outside of SLA target due to the prioritisation of work in other areas
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	26	8	18	31%	R	Cases outside of SLA target due to development of new team members and pension increase issues. Productivity has been impacted by the provision of small single screens in the temporary accommodation.
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%	9	3	6	33%	A	Cases outside of SLA target due to a vacancy factor and development of new team members. Productivity has been impacted by the provision of small single screens in the temporary accommodation.

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.

Appendix 3 - Twelve month analysis of Key Performance Indicators 2016/2017

Service KPI's		Month											
KPI	Target	April %	May %	June %	July %	Aug %	Sept %	Oct %	Nov %	Dec %	Jan %	Feb %	March %
Notify leavers of deferred benefit entitlement	90%	84	86	99	96	98	97	97	96	96	99	99	100
Payment of retirement benefits from active employment.	95%	99	98	97	96	100	100	100	100	99	98	100	95
Award dependant benefits.	95%	98	100	96	90	93	90	85	86	84	97	81	92
Provide a maximum of one estimate of benefits to employees per year on request.	90%	92	84	82	92	80	85	74	87	90	84	44	57
Provide transfer-in quote to scheme member.	95%	100	100	100	90	96	94	97	97	90	79	80	66
Payment of transfer out	90%	100	100	100	100	100	60	100	100	100	100	100	50
Notify the employer and scheme members of changes to the scheme rules.	95%	100	100	100	100	100	100	100	100	100	100	100	100

Employer KPI's		Month											
KPI	Target	April %	May %	June %	July %	Aug %	Sept %	Oct %	Nov %	Dec %	Jan %	Feb %	March %
Arrange for the correct	100%	96.3	97.0	97.2	97.2	96.6	97.1	97.4	98.0	98.9	98.0	97.7	98.0

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													
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Annual KPI Comparisons		Year	
	Target	2015/16 %	2016/17 %
Issue annual benefit statements to active members as at 31 March each year	100	97.83	100
Employers to provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100	9.91	31.70