

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

19th March 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 is 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 March 2019.

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 For the period 1st November 2019 to 31st January 2020 the Fund has met 13 out of 18 monthly targets. 2 of the 5 targets missed related to payment of retirement benefits from active status. The team responsible encountered vacancy, sickness and training issues, however, over the period in question volumes of payment of retirement benefits from *deferred* status, not currently reported as a KPI, were also very high, totalling 161 (compared to 135 retirements from active status). The aforementioned team issues have now been resolved, but as retirements from deferred status represent an ever-increasing area of responsibility as the Fund matures, a new KPI for this area of work will be introduced in 2020-21. Full KPI detail 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 January 2018 to 31st December 2019.
- 4.3 Details of late paying employers for October, November and December 2019 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 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 November 2019 to 31st January 2020, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	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.
	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.
	Six 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.
	Three members were paid a refund of contributions when a pension benefit should have been awarded.	Members are being contacted to rectify the issue.

	There were 803 deferred benefit entitlement letters issued outside of the statutory 2 month period in respect of 2018/19.	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.
	One non-payment of annual allowance tax charge to HMRC.	Internal processes have been reviewed to avoid a reoccurrence.

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 November 2019 to January 2020 the following activity occurred:
- One administering authority stage 1 appeal was adjudicated on concerning entitlement to a refund of pension contributions on leaving the scheme before the 2 year vesting point and was not upheld.
 - One administering authority stage 2 appeal was adjudicated on concerning a dispute over the recovery of an overpaid pension and was not upheld, having been partially upheld at stage 1.
 - One administering authority stage 1 appeal was received regarding a transfer out that was paid to an overseas pension scheme.

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 update only refers to the ring-fenced backlog unprocessed leavers.

From the baseline position 2,484 (43%) backlog unprocessed leaver cases have now been completed.

Category	Total
Baseline (July 2018)	5,823
January 2020	3,339

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 unknown as to when the final data file will be received from HMRC to begin the rectification to pensions in payment.

Future milestones: Awaiting further information from HMRC but this activity is now not expected to begin until 2020-21.

7.3 Member tracing and mortality screening

Purpose of activity: To ensure all membership records where a liability is held has a current home address or is marked as gone away where attempts to trace the member have been unsuccessful (excluding active members as the employer is required to update the Fund with changes of address).

Timescale for action: The contract with Accurate Data Services commenced in June 2019. Address tracing was initially expected to complete by 30 November 2019 and mortality screening will be conducted monthly for the duration of the 2 year contract.

Update: A verification process is also currently in progress to ensure those members for whom a new address has been identified but without complete confidence are at the new address supplied. This process involves members being contacted at the new address for them and invited to follow a secure robust process to confirm their identity and address. This process will conclude in March 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. <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>

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
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

- 9.3 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>

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 – 27 th February 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 24 th February 2020
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 4 th March 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 25 th February 2020

Appendix 1 – LGSS Pensions Administration Report

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

Fund Account	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	131,000	128,000	-3,000	
Transfers in from other pension funds	4,200	6,000	1,800	
Total income	135,200	134,000	-1,200	
Benefits payable	-105,000	-109,000	-4,000	
Payments to and on account of leavers	-9,100	-11,500	-2,400	
Total Payments	-114,100	-120,500	-6,400	
	21,100	13,500	-7,600	
Management Expenses	-10,040	-6,833	3,207	See analysis below.
Total income less expenditure	11,060	6,667	-4,393	
Investment income	36,000	39,000	3,000	
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	84,000	171,000	87,000	
Net return on investments	120,000	210,000	90,000	
Net increase/(decrease) in the net assets available for benefits during the year	131,060	216,667	85,607	

Management Expenses	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	-2,930	-2,998	-68	See analysis below.
Total Governance Expenses	-550	-555	-5	
Total Investment Invoiced Expenses	-6,560	-3,280	3,280	Expenses relating to assets transitioned to the asset pool have now been removed as expenses not invoiced.
Total Management Expenses	-10,040	-6,833	3,207	

Administration Expenses Analysis	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,400	-1,348	52	
Altair System and payroll system	-310	-325	15	
Data Improvement Projects	-440	-540	-100	Undecided leavers project understated.
Communications	-30	-13	17	
Other Non-Pay and Income	-120	-107	13	
County Council Overhead Recovery	-630	-665	-35	External overheads have increased
Total Administration Expenses	-2,930	-2,998	-68	

Appendix 2 - Key Performance Indicators – LGSS Pensions November, December 2019 and January 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%	November: 321 December: 283 January: 437	298 180 304	28 103 133	93 64 70	Green Amber Amber	SLA target met SLA target not met* SLA target not 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%	November: 63 December: 27 January: 45	48 24 44	15 3 1	76 89 98	Amber Amber Green	SLA target not met** SLA target not met** SLA target met
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	November: 15 December: 26 January: 31	15 24 31	0 2 0	100 92 100	Green Amber Green	SLA target met SLA target not 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%	November: 90 December: 89 January: 64	86 84 61	4 5 3	96 94 95	Green Green Green	SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	November: 42 December: 30 January: 58	41 30 58	1 0 0	98 100 100	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%	November: 6 December: 3 January: 6	6 3 6	0 0 0	100 100 100	Green Green Green	SLA target met SLA target met SLA target met

*Notify leavers of deferred benefit entitlement - high volume of work and a backlog of checking has resulted in an amber rating for December and January. More staff have been trained to check work, which has helped check all outstanding work. The team are now up to date with checking and should be able to maintain the correct level of service going forward.

** Payment of retirement benefits from active employment – Please see section 3.2.

*** Award dependents benefits – high volume of checking as a result of increased overall activity within the team has resulted in an amber rating for December. Resource has been reallocated to address the increased volume.

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
January 2019	99.8	0.2	99.6	0.4
February 2019	100	0	99.6	0.4
March 2019	99.4	0.6	98.4	1.6
April 2019	98.5	1.5	97.0	3.0
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
Average for period	99.0	0.1	98.3	0.7