

PENSION FUND COMMITTEE



Thursday, 28 March 2024

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

10:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at <http://tinyurl.com/ccc-conduct-code>
2. **Public minutes of the Committee meeting held 20 December 2023 and Action Log** **5 - 14**
3. **Petitions and Public Questions**
4. **Administration Performance Report** **15 - 32**
5. **Governance and Compliance Report** **33 - 46**
6. **Employer Admissions and Cessations Report** **47 - 56**
7. **Cambridgeshire Pension Fund - Business Plan and Medium-Term Strategy 2024-25** **57 - 90**

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|-----|--|------------------|
| 8. | Communications Plan | 91 - 96 |
| 9. | UK Stewardship Code 2020 Submission | 97 - 156 |
| 10. | Cashflow Projections Report | 157 - 184 |
| 11. | Pension Fund Committee Forward Agenda Plan | 185 - 186 |
| 12. | Exclusion of Press and Public
<i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)</i> | |
| 13. | Cambridgeshire Pension Fund – Additional Contribution Provider Update <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |
| 14. | ACCESS Update <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |
| 15. | Confidential minutes of the Pension Fund Committee held 20th December 2023 <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |

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The Pension Fund Committee comprises the following members:

Councillor Alison Whelan (Chair) Councillor Mike Black (Vice-Chair) Councillor Chris Boden Liz Brennan Mr Howard Nelson and Mr Matthew Pink Councillor Adela Costello Councillor Nick Gay Councillor Peter McDonald

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

Public minutes of the Pension Fund Committee

Date: 20th December 2023

Time: 10:00am – 11.27am

Venue: New Shire Hall, Alconbury Weald

Present: County Councillors M Black (Vice Chair), A Costello, P MacDonald, A Sharp, A Whelan (Chair); Fenland District Councillor Chris Boden; Liz Brennan, Howard Nelson and Matthew Pink

Officers: B Barlow, C Blose, D Cave, F Coates, M Oakensen and M Whitby; S Heywood (virtual) and J McHugh (EY) (Virtual)

157. Apologies for absence and declarations of Interest

No apologies.

Matthew Pink declared a personal interest as both he and his wife were active members of the LGPS.

Liz Brennan declared a personal interest as an active member of the LGPS.

158. Public minutes of the Pension Fund Committee meeting held 4th October 2023

The public minutes of the Pension Fund Committee meeting held on 4th October 2023 were approved as a correct record.

The Action Log was noted.

159. Petitions and Public Questions

There were no petitions or public questions.

160. Administration Performance Report

The Committee considered a report which set out a number of key areas of administration performance in the period 1st August to 31st October 2023.

As previously reported, there had been Reds and Ambers in KPIs relating to the team that processes retirement benefits and estimates, specifically retirement from active service and

retirement from deferred service. These shortfalls were mainly attributable to experienced staff leaving the Council, and being replaced with less experienced staff, and periods of Maternity Leave and Annual Leave. Performance was expected to improve by year end once the new staff gained more experience.

The five working day target included time to perform calculations, for those calculations to be checked, and for corrections to be carried out, and there had been some issues as the relevant team strived to achieve the deadline. CIPFA benchmarking indicated that majority of other Funds were working to a 15 day target. Further analysis had been undertaken, and indicated that in most cases, the five day target was just being missed (average of 6.4 days). The structure of the Operations team would be changing in January, providing greater flexibility. The recommendation was to increase the KPI from 5 to 10 working days, to bring it in line with industry standards.

Appendix 2 outlined progress made to date on Customer Journey KPIs, provided high level information on new joiners, transfers in and out and divorce estimates. The reliability of data in some areas was still being addressed, as reporting and analysis could be complex when pulling together these type of KPIs. The longer term plan was to work closely with employers to pick up any systemic issues, once these KPIs had been analysed further, targeting communications and interventions appropriately.

A Member asked about the absolute number of applications received. Officers advised that monthly volumes were set out in Appendix 1: for Deferred benefits, these had ranged between 181 and 247 (monthly) in recent months; payment of active retirements applications were between 42 and 49 per month, and payment of deferred pension applications between 80 and 86. Noting this information, the Member asked about the “lumpiness” of applications, i.e. whether they were evenly spread out, or were there periods when there was greater demand? Officers confirmed there was “lumpiness” and key trigger points, especially at the end of the school year, and twelve months of data could be provided to illustrate this. **Action required.**

A Member commented that the focus appeared to be on the team dealing with the workload, rather than the experience of the scheme member. Whilst moving the KPI from a 5 to 10 day average seemed reasonable, he asked about the outliers i.e. the maximum time an individual application could take. Officers advised that the secondary targets were focused on the customer journey, and the Member’s comments could be fed into that process, and identify any pinch points in the process. The Member commented that his overriding concern was that there may be some cases which were significantly delayed. Officers advised that the move to 10 days would give a better indication of the number of applications which were taking longer 10 days, which they anticipated would be very low. Members indicated that it would be helpful to see the “spread” and outlier information. **Action required.**

It was unanimously resolved to:

- 1) note the Administration Performance Report;
- 2) approve a change to the KPI target for the payment of retirements benefits from active employment from 5 working days to 10 working days (section 3.1.7).

161. Pension Fund Annual Business Plan Update report 2023/24

The Committee considered an update to the Business Plan, which set out progress against key activities. An update was given on progress against the large number of procurement exercises, some of which involved input from Committee Members.;

With regard to those activities with an Amber status:

- for Guaranteed Minimum Pension rectification, experienced officers had been allocated to this work, which was likely to conclude a few weeks later than scheduled;
- for the McCloud Age Discrimination remedy, the guidance would not be issued until early in 2024, so that work would be rescheduled accordingly;
- the “Undecided leavers” had been changed to Amber. Although good progress had been made in this area, there were so many other pressures that the decision had been made to change this back to Amber.

Whilst appreciating that the McCloud guidance had not yet been issued, a Member asked how long this work would take when it became available? Officers advised that they were expecting it take 1-2 years, and some preparatory work would commence early in the new year. It was confirmed that all new cases were being processed in line with the McCloud ruling.

It was unanimously resolved to note the Business Plan Update.

162. Governance and Compliance Report

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

Since the report had been published there had been a number of updates. With regard to the Pensions Dashboard, on 14 November proposed staging date for public service pension schemes had been put forward for consultation within the industry. The actual staging date would be published in the Spring. A draft Dashboard connection guide had also been shared. A proposal had also been put forward for the AVC staging timeline, where a standardised approach would be required across LGPS schemes. A report on progress against the Regulator’s Dashboard checklist would be presented to Committee in March 2024, outlining progress on all activities. Alongside this, the team was continuously reviewing the data and data improvement plan.

With regard to McCloud, from 1st October the team had been working on a “business as usual” basis, but there were pockets where manual intervention was required. On 4th December there had been a system upgrade which had resolved some of these issues. A draft prioritisation policy had been provided to ensure Funds were as compliant when guidance was formally issued. Administration guidance would be published in stages, with the Stage 1 guidance covering prioritisation. The team had effectively met the disclosure requirements by 17th December, in that any Fund member in scope would have received an email or letter, where their details were available. Member Self Service was also updated and there were also dedicated McCloud pages on the Fund website and on Employer websites.

With regard to Employer representation, that exercise had concluded, and Howard Nelson had been welcomed as the new Employer representative to both the Committee and Sub-Committee.

A Member noted the government proposals to change pooling arrangements. He understood why this made sense from a governmental perspective, i.e. to reduce number of pools and squeeze out further efficiencies. However, he asked how this could impact on the Cambridgeshire Fund, especially the 31/03/25 deadline for both liquid and illiquid assets to transfer to pooled arrangements. He asked how realistic that deadline was, especially for illiquid assets. He also noted the expectation that a Best Value assessments would need to be undertaken for any asset not transferred to pooled arrangements. Officers confirmed that originally, the consultation had just specified liquid assets by the 2025 deadline, but this had subsequently been extended to include all assets, which was unlikely to be achievable for most Funds. By 31 January 2024 the Cambridgeshire Fund would have all liquid assets under pooled arrangements. The Best Value assessments would be straightforward for some assets, but others would be more difficult to keep outside pooled arrangements. It was suggested that Government did understand that it was not possible to divest from most illiquid assets in the short term. Officers were keen to ensure that communications were clear on the Fund’s position, for the benefit of scheme members. This issue would be covered in further detail under the ACCESS update.

It was resolved unanimously to:

- 1) note the Governance and Compliance Report;
- 2) note the immaterial amendments to be applied to policies and strategies (Section 9).

163. Cambridgeshire Pension Fund Potential Breaches of the Law Report

Members considered a report highlighting potential breaches of the law in relation to the management and administration of the Fund. The focus of the report was identifying breaches in services, to reassure the Committee that the adequate controls were in place. The report detailed the legal requirements, and the controls and measures in place for each regulation. LGPS regulations were also reviewed, and this information was detailed in the appendices. In future, it was hoped to cross reference and more closely align this report with the Risk Register.

A Member asked if there had been any breaches, and it was confirmed that these were detailed in the Administration Performance report.

It was noted that the residual risk ratings were not included in the table in section 5.1, and officers committed to ensure that these were included in future reports. **Action required.**

It was resolved unanimously to:

note the potential breaches of the law and associated control measures.

164. Employer Admissions and Cessations Report

The Committee received a report on the admission of one admitted body and the entry of two designated bodies. It was noted that there was no option to reject these admissions, but the Committee was being asked to agree the sealing of the admission agreement for the one admission body. The report also set out the details of the cessation of three bodies, and provided an update on previous cessations, including exit credits.

Councillor Costello declared a non-pecuniary interest as a Member of Ramsey Town Council, which was one of the designated bodies being admitted to the Fund.

A Member commented that it would be helpful for future reports to give an approximation of the number of members involved in each body. **Action required.** He also asked why exit credit assessment sometimes resulted with a value different to the funded surplus. Officers explained the complexities of the exit credit assessments: The regulations put a discretion on the Fund to determine what the exit credit could be, and that credit could be nil. This may be due risk sharing arrangements i.e. it could be an organisation did not hold the funding risk, and that would be taken into consideration when determining the exit credit. There was also a requirement to review how much of the surplus was attributable to the contributions of the exiting employer, as in some cases, the surplus came from the growth of asset from another body, not the body exiting the fund. Members were reassured that there was a robust policy in place, and each exit credit would be considered on a case by case basis. The Member thanked the officer for this helpful explanation.

It was resolved unanimously to:

1. note the admission of the following transferee admission body to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:

- Aspens Services Limited (Over Primary School)

2. note the entry of the following designating bodies to the Cambridgeshire Pension Fund:

- Orton Longueville Parish Council
- Ramsey Town Council

3. note the cessation of the following bodies from the Cambridgeshire Pension Fund:

- Cross Keys Homes
- Kimbolton School
- ABM Catering Limited (St Johns CE Primary School)

4. note the update on previously reported cessations relating to:

- NPS Peterborough Limited
- Taylor Shaw Limited (Elliott Foundation Trust)
- Cater Link Limited (Diamond Learning Partnership Trust)

165. EY Audit Plan for Cambridgeshire Pension Fund for Year Ended 31st March 2023

The Committee received the Audit Plan from Ernst Young. It was noted that the Audit had already been completed.

Members noted the key areas considered by the External Auditor. In terms of Materiality thresholds, these were £42M for Planning, £31.5M for Performance, and £2.1M for audit differences. There had been no unadjusted material or immaterial items. In terms of key risks, the External Audit team were focusing on incidents where management had overridden controls, Level 3 valuations (i.e. those assets that were difficult to value) and actuarial valuations.

A Member observed that the Cambridge and Counties Bank investment had been discussed at previous meetings. Even though this investment represented less than 2% of the Fund's investments, it was an unusual situation, and there were potential exit strategies. He felt that it would be helpful for the Committee to be kept informed about this, even if those reports needed to be in confidential session. He was keen to ensure that there was no significant risk before a potential exit strategy took place. Officers confirmed that it was an unusual investment, and that this had also been raised at Audit and Accounts Committee, and subsequently reviewed by the Investment Sub Committee, where it had been agreed that it would be reviewed at least annually.

Jacob McHugh of EY drew attention to the Committee the section on audit risks and areas of focus. At the time of planning the standard risk management override controls, the

significant risks around the valuation of Cambridge & Counties Bank, and also the actuarial estimates. Actuarial estimates were a particular focus given this was a triennial year, so this area was subject to some additional testing and procedures.

It was resolved unanimously to note the Audit Plan for year ended 31 March 2023 and the presentation by Ernst and Young

166. Pension Fund Annual Report and Statement of Accounts 2022-23

The Committee considered the final Annual Report and Statement of Accounts, and the Audit Results Report for the Pension Fund for the 2022-23 financial year. Introducing the report, officers highlighted the changes from the draft accounts: (i) the valuation of the Cambridge and Counties Bank – the valuation had been estimated for the draft accounts, so an adjustment had been included for that item; (ii) other Level 3 assets, such as private equity and property. The Annual Report and Statement of Accounts had been reviewed by the Audit and Accounts Committee at its 01/12/23 meeting, and the Statement of Accounts had been signed off by that Committee, whereas the Annual Report was the responsibility of the Pension Fund Committee.

With regard to the Audit findings report, there had been no material or non material errors. The Committee was pleased to note that the processes used by the team had received major recognition with a CIPFA Finance Award.

Jacob McHugh highlighted that the work was substantially complete. However, the final reporting was linked to the County Council's accounting opinion, so it was not possible to fully sign off and issue an audit opinion at this stage. There were no uncorrected audit differences, just two corrected differences which were essentially timing differences, relating to the Cambridge and Counties Bank valuation and Level 3 valuations.

A Member asked whether these Accounts not being formally signed off resulted in any issues, noting that many other Local Authority Pension Funds would be in the same position. Officers advised that the only issue was that the accounts may need to be updated to reflect going concern and post balance sheet adjustments when they were finally signed off. It was also noted that the Accounts could still be published, as long as it was made clear that these were still technically "draft".

The Chair thanked the external auditors and the Pension team for their work.

It was resolved unanimously to:

- a) approve the Final Annual Report;
- b) note the Statement of Accounts of the Pension Fund for the 2022-23 financial year;
- c) note the findings of external audit documented in the Audit Results Report.

167. Cambridgeshire Pension Committee Forward Agenda Plan

Members noted that the Agenda Plan would be updated to reflect business plan activities for next year.

It was resolved to note the Committee Agenda Plan.

168. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following items contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information).

169. Confidential minutes of the Pension Fund Committee meeting held 4 October 2023

It was resolved to approve the confidential minutes of the Pension Fund Committee meeting held 4 October 2023.

170. Personal Data Retention Policy

Members considered a proposed Personal Data Retention Policy.

It was resolved unanimously to approve the Cambridgeshire Pension Fund Personal Data Retention Policy.

171. Risk Monitoring

The Committee considered an updated Risk Register.

It was resolved unanimously to review the Cambridgeshire Pension Fund Risk Register.

172. ACCESS Update

The Committee considered a report on ACCESS Asset Pooling.

It was resolved to note the report.

Chair

This log captures the actions from the Pension Fund Committee of the 20 December 2023 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 14/03/2024.

Actions from 20 December 2023 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
160.	Administration Performance Report	Michelle Oakensen	It has been agreed that the next KPI update will provide insight on the outliers i.e. the maximum time an individual application could take following concerns that some cases might be significantly delayed.	In progress. This information will be provided at the June Committee meeting due to resources being directed to priority casework as a result of inflated sickness levels.
163.	Cambridgeshire Pension Fund Potential Breaches of the Law Report	Michelle Oakensen	Ensure that the residual risk ratings are included in the table in section 5.1 of future reports.	Completed.
164.	Employer Admissions and Cessations Report	Cory Blose	Ensure that future reports include an approximation of the number of members involved in each body.	Completed.

Outstanding actions from 30 March 2023 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
110	Communication Strategy	Sharon Grimshaw	It was agreed that when the McCloud outcome was communicated to scheme members, Committee Members would be copied in, so they were aware of what had been sent to scheme members and could respond to any queries accordingly.	Completed. A dedicated McCloud page has been created on our member and employer websites that link to centrally produced resources. Members that are in scope of the McCloud remedy have been emailed or sent a physical letter depending on their communication preferences. All members in scope of the McCloud remedy have had a copy of the letter uploaded to their online pension account. Committee members have been sent links to the websites and copies of the emails and letters.
115	Managed Exits	Cory Blose	Approval to enter into Debt Spreading Arrangements (DSA's) with two employers were approved by the Committee on the condition that further legal advice was obtained over the ability and appropriateness of obtaining alternative types of security not already considered by officers. Officers advised that they would take further legal advice and report back to the Chair of the Committee for final approval.	In progress: Since the last meeting a debt spreading arrangement has been agreed with one employer following additional legal advice and approval from the Chair of the Committee. A recommendation has also been proposed for the 2 nd employer which does not involve a charge on property but based on additional legal advice would provide an additional and proportionate level of security. This involves placing a restriction on the legal title of the school property which alerts potential buyers to the outstanding debt and would only be lifted upon payment. The employer would be expected to provide assurance to the buyer of how the restriction will be satisfied.

Cambridgeshire Pension Fund

Pension Fund Committee

28 March 2024

Report by:	Head of Pensions
Subject:	Administration Performance Report
Purpose of the Report:	To present the Administration Performance Report to the Pension Fund Committee for the period 1 November 2023 to 31 January 2024.
Recommendations:	The Pension Fund Committee is asked to note the Administration Performance Report
Enquiries to:	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.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. Executive Summary

- 2.1 This report sets out the performance of the Cambridgeshire Pension Fund on the following areas of administration:
 - 2.1.1 The achievement against the Key Performance Indicators for the period 1 November 2023 to 31 January 2024. For the period 12 of the 21 KPI targets were achieved, with 5 red and 4 amber (section 3.1 & appendix 1). Performance had improved by January 2024 when there was a single amber KPI and single red KPI.
 - 2.1.2 Progress on the development of the Pension Service Key Performance Indicators (section 3.2 & appendix 2).
 - 2.1.3 Timeliness of receipt of employee and employer pension contributions for the period 1 October to 31 December 2023, 99.9% of payments were received on time (section 4 & appendix 3). Details of any late payments are detailed in appendix 4 (**exempt**).

- 2.1.4 Occurrences of breaches of the law for the period 1 November 2023 to 31 January 2024. There were no material breaches in the period (section 5).
- 2.1.5 Details of any Internal Dispute Resolution Procedure cases during the period 1 November 2023 to 31 January 2024. There was one stage 1 administering authority dispute raised and no stage 2 determination made (section 6).
- 2.1.6 Occurrences of material data breaches for the period of 1 November 2023 to 31 January 2024. There were no material data breaches for the period.
- 2.1.7 Details of any significant overpayment of pension for the period 1 November 2023 to 31 January 2024. There was one significant overpayment for the period. (section 8).

3. Key Performance Indicators

3.1 Pension Service performance against Key Performance Indicators

- 3.1.1 The Pension Committee has in place a set of key performance indicators (KPIs) to assess the performance of the Pensions Service in the delivery of key items of casework. The actual performance against these KPIs for the period 1 November 2023 to 31 January 2024 can be found in appendix 1 along with the explanations for any underperformance.
- 3.1.2 Over the 3-month period, 12 of the 21 KPI targets have been met. Performance had improved by January 2024 when there was a single amber KPI and single red KPI.
- 3.1.3 Targets were missed for providing an estimate of benefits and for the payment of retirement benefits from active employment for the period. The team contended with periods of annual leave and sickness at both Team Leader and Pension Officer level, 79.5 days sickness in total was recorded during the period within the Operations Team.
- 3.1.4 The team is inexperienced with ongoing training continuing to be delivered at different levels and has also been impacted by the implementation of the McCloud remedy, which has required additional learning and workloads.
- 3.1.5 In January the performance was below target for the processing of dependant benefits, the four missed cases were due to the notification task being finalised late. This has been raised within the team to prevent recurrence.
- 3.1.6 Training and resources have been allocated to cases where a benefit was due as a priority. Additional time will be dedicated to estimate cases as resources stabilise. Sickness levels are being addressed through absence management procedures.

3.1.7 Performance is expected to improve by the end of the financial year once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi-skilling to help with service resilience across teams.

3.2 Development of the Pension Service Key Performance Indicators

3.2.1 Progress has been made on some areas of reporting with the new data encompassing the administration and employer performance as well as any delays from members.

3.2.2 The new supplementary KPI information can be found in Appendix 2.

3.2.3 Once the reporting has been expanded, the intention is to analyse any lower than desired performance and target communications and interventions appropriately.

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. They must also provide an associated monthly statement/schedule in a format acceptable to the Administering Authority.

4.2 The table in appendix 4 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 October 2023 to 31 December 2023.

4.3 For October and November, 100% of contribution payments were received on time and 99.8% for December. The current yearly average for payments made on time is 99.8% and schedules being received on time is 99.5%.

4.4 Details of late contribution payments can be found in appendix 5 (**exempt**).

5. Breaches of the Law

5.1 There are 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 1 November 2023 to 31 January 2024, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non-Material Breaches	13 refund of contribution payments were paid 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.
	Missed statutory targets against Key Performance Indicators.	Issues will be addressed within the Service and with employers as appropriate. Further details can be found in Appendix 3.

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 The following tables detail that activity undertaken during the period 1 November 2023 to 31 January 2024 with regards to administering authority and employer disputes.

6.3 Stage 1 disputes:

Nature of Stage 1 Dispute (Head of Pensions)	Date Received	Date Decision Due	Stage 1 Decision: Upheld/not upheld/partially upheld	Date of Decision
Maladministration by CPF in allowing an overseas transfer in 2015 without due diligence.	Application outside time limit, discretion exercised and allowed to stand on 9/11/2023.	8/1/2024.	Not upheld.	6/12/2023.
Exited employer disputing the Admin Authority's decision not to pay them the full exit credit, also disputing the need to carry out, and charge for, an actuarial assessment at exit.	27/10/2023.	26/12/2023 extended to 26/01/2024 as further actuarial advice required.	Not upheld.	25/01/2024.

6.4 Stage 2 disputes: None

6.5 In the period 1 November 2023 to 31 January 2024 no new employing authority disputes were raised and/or responded.

7. Material Data Breaches

7.1 None.

8. Significant overpayments of pension

8.1 An overpayment of £12,500.03 occurred due to a pension lump sum payment being received twice by a member. An instruction was sent to remove an initial payment from the payments run due to an error with the members name, unfortunately this was not actioned by the accounts payable team. A second payment was then raised.

8.2 The money has been returned to the Fund and the accounts payable team have been informed of the break down in process to ensure there is no recurrence.

9. Relevant Pension Fund Objectives

Has 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*

Manages 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*

Ensures the relevant stakeholders responsible for managing, governing and administering the Fund, understands its' roles and responsibilities and has the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*

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

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

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

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

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

- 10.3 The Fund's risk register can be found on the Pensions website at the following link: [Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/documents/CCC-Cambridgeshire-and-Northamptonshire-LGPS)

11. 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.

Employers of the Fund are guided through the admission process and directly kept up to date with requirements and progress.

Members who enter the Internal Dispute Resolution Procedure are kept informed of progress within the statutory timescales

12. Finance & Resources Implications

- 12.1 None.

13. Legal Implications

- 13.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

- 13.2 With all IDRPs complaints there is a risk that a complaint may be raised with the Pensions Ombudsman.

14. Consultation with Key Advisers

- 14.1 Squire Patton Boggs conducted a review of the paper for legal implications with no material issues raised.

15. Alternative Options Considered

15.1 Not applicable

16. Background Papers

16.1 Not applicable

17. Appendices

17.1 Appendix 1 Key Performance Indicators.

17.2 Appendix 2 Development of Key Performance Indicators during 2023/2024.

17.3 Appendix 3 Receipt of Employee and Employer Contributions.

17.4 Appendix 4 Details of late contribution payments – **exempt**.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood/ Michael Hudson – 08/03/2024

Has this report been cleared by Head of Pensions? Mark Whitby – 19/2/2024

Has this report been cleared by Monitoring Officer? Emma Duncan – 04/03/2024

Appendix 1 – Pension Service Key Performance Indicators for November, December 2023 and January 2024

Function/Task	Indicator	Target	Month	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 December January	214 153 220	197 146 211	17 7 9	92 95 96	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 10 working days (from January, previously 5).	95%	November December January	49 37 35	41 30 35	8 7 0	84 81 100	Red Red Green	SLA target not met* SLA target not 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%	November December January	102 79 68	90 70 66	12 9 2	88 89 97	Amber Amber Green	SLA target not met* SLA target not met* SLA target met
Award dependant benefits	Issue award within 5 working days of receiving all necessary information.	95%	November December January	41 35 25	39 34 21	2 1 4	95 97 84	Green Green Amber	SLA target met SLA target met SLA target not met**

Appendix 1 – Pension Service Key Performance Indicators for November, December 2023 and January 2024

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	Comments
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%	November	29	14	15	48	Red	SLA target not met*
			December	16	11	5	69	Red	SLA target not met*
			January	31	13	18	42	Red	SLA target not met*
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information.	95%	November	31	29	2	94	Amber	SLA target not met*
			December	35	34	1	97	Green	SLA target met
			January	44	44	0	100	Green	SLA target met
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%	November	46	46	0	100	Green	SLA target met
			December	94	91	3	97	Green	SLA target met
			January	34	34	0	100	Green	SLA target met

* Payment of retirement benefits from active employment/payment of pension benefits from deferred membership status/ provide a maximum of one estimate of benefits to employees per year on request – several contributing factors that led to KPIs being missed for November, December and January 2024. The team contended with periods of annual leave and sickness at both Team Leader and Pension Officer level (for context there were 79.5 sickness days for the period). The team itself is inexperienced with ongoing training continuing to be delivered at different levels. In addition, the implementation of the McCloud remedy has increased workloads and queries.

** In January the performance was below target for the processing of dependant benefits, the four missed cases were due to the notification task being finalised late. This has been raised within the team to prevent recurrence.

Training and resources had been allocated to cases where a benefit was due. Additional time will be dedicated to estimate cases as resources stabilise. Sickness levels are being addressed through absence management procedures.

Performance is expected to improve once the training requirements reduce at both officer and team leader level and skills and experience are embedded within the team. The medium to long term plan is to increase multi skilling to help with service resilience across teams.

Appendix 1 – Pension Service Key Performance Indicators for November, December 2023 and January 2024

Green: Equal to or above Service Level Agreement (SLA) target.

Amber: Below SLA target, but number completed within target is within 10% of the SLA target.

Red: Below SLA target and number completed within target is not within 10% of the SLA target.

Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Provide basic scheme information to new joiners.	2 months from date of joining or member's request.	November December January	76 42 46	<p>The Pension Service is 100% within target for meeting the SLA of 2 months from the record being created on Altair which is dependent upon the receipt of the employer i-connect file.</p> <p>Reasons why the cases would not be completed within the statutory target are¹:</p> <ul style="list-style-type: none"> • Arrears of pay resulting from a late agreed pay award. • Notifications of new starters received from employers within monthly i-connect files where the member's start date was already more than 2 months ago. • Payroll provider changes.
Provide transfer details for transfer in.	2 months from date of request.	November December January	46 52 41	<p>Reasons why the cases would not be completed within the statutory target are²:</p> <ul style="list-style-type: none"> • Interfund in - Further information is required from the previous LGPS pension fund. • Transfer in – Further information is required from the member, the previous scheme, or the employer.
Provide details of transfer value for transfer out.	3 months from date of request.	November December January	90 85 73	<p>Reasons why the cases would not be completed within the statutory target are³:</p> <ul style="list-style-type: none"> • Interfund out - Further information is required from the employer prior to finalising the deferred benefit and there is a backlog in these cases due to the volumes. • Transfer in – Further information is required from the employer prior to finalising the deferred benefit.

¹ Reports are being developed to identify any arrears of pay cases in advance, the software provider is investigating solutions to identify new starter records that are created as a result of arrears as soon as the data is received on the system.

² An investigation into whether automated reporting can be developed to carry out the analysis required without any manual intervention is currently being undertaken.

³ An investigation into whether automated reporting can be developed to carry out the analysis required without any manual intervention is currently being undertaken.

Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Provide a CETV quotation for divorce purposes.	Within 3 months of the request (or shorter deadline as specified in a court order).	November December January	n/a 86 100	One case was not within the statutory target for December due to a known error within the system and a training issue.
Inform members who leave the scheme before retirement age of their rights and options.	As soon as practical and no more than 2 months of leaving.			Complexities in the way data is received and processed means that the reporting for this KPI needs developing to be able to establish the correct apportion between employer and pension service failures. Reasons that KPIs may not be in target is due to arrears of pay, late notification of leavers, payroll provider changes and processing times.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 2 months of retirement date where the member retires before normal pension age.	January	58	Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator to issue the award once all the information is received. Within the 42% outside of target, 50% of the failures were due to employer delays. Analysis will be undertaken, and any persistent trends addressed accordingly. Any information received which does not allow the Pension Service 10 working days to process in line with SLA targets is classified as an employer failure.
Inform members who leave the scheme at or after retirement age of the benefits due.	Within 1 month of retirement date where the member retires on or after normal pension age .	January	64	Multiple factors contribute to the member experience for this indicator, this includes the type of information required (e.g. leavers details, certificates, forms) and the party responsible for supplying the information (employer, payroll provider, member). There is also the processing time required for the administrator once all the information is received. Within the 36% outside of target, 60% was due to delays from the employer and 40% was due to delays within the Pensions Service, analysis will be undertaken and any persistent trends addressed accordingly.

Appendix 2 – Customer Journey Key Performance Indicators (statutory) for the Period 1 November 2023 to 31 January 2024

Function/Task	Indicator	Month	% Within Target	Comments
Calculate and notify dependant(s) of amount of death benefits.	As soon as possible, but in any event no more than 2 months of date or becoming aware of death.			A new death process is due to be created to enable reporting on this KPI. This is not currently possible as a separate case is set up on the member and the dependant.
Notify implementation information after receiving a pension sharing order (and no outstanding information)	Within 21 days of the later of, the date of receipt of the pension sharing order or the day on which the order takes affect or the date of receipt of the relevant documents / information.			This KPI still needs to be developed for the small number of cases that are completed in a year.

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 2023	100	0	99.6	0.4
February 2023	99.8	0.2	100	0
March 2023	100	0	100	0
April 2023	100	0	100	0
May 2023	100	0	100	0
June 2023	100	0	100	0
July 2023	99.8	0.2	97	3
August 2023	100	0	100	0
September 2023	99.6	0.4	99.8	0.2
October 2023	100	0	99.8	0.2
November 2023	100	0	98.9	1.1
December 2023	99.8	0.2	99.8	0.2
Average for period	99.9	0.1	99.5	0.5

Cambridgeshire Pension Fund

Pension Fund Committee

28 March 2024

Report by:	Head of Pensions
Subject:	Governance and Compliance Report
Purpose of the Report:	To provide the Pension Fund Committee with information on: 1) Pensions Dashboards (section 3). 2) McCloud (section 4). 3) Scheme Advisory Board (section 5). 4) The Pensions Ombudsman (section 6). 5) The Pensions Regulator (section 7). 6) Skills and knowledge opportunities (section 8). 7) Officer reviews of Fund policies and strategies (section 9).
Recommendations:	The Pension Fund Committee is asked to: 1) Note the Governance and Compliance Report. 2) Note the immaterial amendments to be applied to policies and strategies (section 9).
Enquiries to:	Michelle Oakensen Governance and Regulations Manager michelle.oakensen@westnorthants.gov.uk

1. Background

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. Executive Summary

- 2.1 This report provides the Pension Fund Committee with information on the following significant current issues which have an impact on the governance, management and administration of the Cambridgeshire Pension Fund.

- Pensions Dashboards

- McCloud
- Scheme Advisory Board
- The Pensions Ombudsman
- The Pensions Regulator
- Skills and knowledge opportunities

2.2 The report also provides details of any proposed immaterial amendments to be made to policies or strategies as a result of Officer reviews.

3. Pensions Dashboards

3.1 PASA dashboard guidance

3.1.1 The Pensions Administrations Standards Association (PASA) has published Pensions Dashboards Connection Ready Guidance and a 'Call to Action'.

3.1.2 The Connection Ready Guidance explains what being 'connection ready' means and what a typical scheme plan could look like. It covers five main areas: governance, matching, value data, technology and administration. For each area, it describes the key activities, how to do them, why they matter and how to show that they have been done.

3.1.3 The Call to Action lists the top five actions that schemes need to take now to prepare for dashboards and can be found [here](#).

3.1.4 PASA will release further supporting materials in the next few months, such as practical tips for certain connection ready activities, checklist of key actions and outlines of connection ready decisions.

3.1.5 The Pensions Dashboards Connection Ready Guidance can be found [here](#).

3.2 Pension Dashboard Programme updates

3.2.1 Blog on recent queries - On 30 November 2023, the Pensions Dashboards Programme (PDP) published a blog covering the following recent queries they have received:

- When do PDP expect to publish dashboard standards?
- What are the different types of testing?
- When will the dashboards available point be?

3.2.2 The blog can be found [here](#).

3.2.3 January newsletter - Covering Chris Curry's blog looking back at 2023 and a recording of the December PDP webinar on understanding dashboards architecture and find and view data. A link to the newsletter can be found [here](#).

3.2.4 FAQs newsletters -The FAQs newsletters help to answer the most frequently asked questions about pensions dashboards. The January edition features FAQs about the central digital architecture. A link to the letter can be found [here](#).

3.2.5 Blog on industry engagement - PDP will continue to work closely with industry, regulators and DWP to deliver dashboards. Groups and forums will continue to collaborate in 2024 and PDP invites you to register your interest in joining one of these groups. A link to the blog can be found [here](#).

- 3.2.6 Connection guidance and understanding AVCs and value data webinar - The January webinar included speakers from PDP, PASA, DWP, TPR and Jayne Wiberg from the LGA. A link to the webinar can be found [here](#).
- 3.3 The Pensions Regulator dashboard checklist
- 3.3.1 The Pensions Regulator has published a blog encouraging schemes to follow their dashboard checklist. The Cambridgeshire Pension Fund is progressing well against the checklist and is included as Appendix 1 of the report.
- 3.3.2 Project plan activities based on the LGAs connection guide will be undertaken in the following areas in order to connect to the Pension Dashboard:
- Governance
 - Internal controls
 - Connection
 - Record keeping
 - Budget
 - Resource
 - Data
4. McCloud
- 4.1 Initial prioritisation policy
- 4.1.1 On 12 October 2023, on behalf of DLUHC, LGA emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.
- 4.1.2 The final version is due to be published imminently.
5. Scheme Advisory Board
- 5.1 SAB commissions report on the LGPS and Sharia law
- 5.1.1 In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. In order to give a definitive opinion, Counsel advised that she needed to understand better the basis of those beliefs and the extent to which they would be broadly shared across the Muslim community.
- 5.1.2 The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The aim being to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible.
- 5.1.3 The report examines the issue from the starting point that the LGPS is an extension of the employer/employee contract. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.

- 5.1.4 In publishing the report, the Board made no claim of expertise on the matter of Sharia law and wishes to be clear that the report represents the views of the author and not the Board. More information can be found [here](#).
6. The Pensions Ombudsman (TPO)
- 6.1 Response to Court of Appeal ruling
- 6.1.1 TPO has expressed its disappointment about the recent Court of Appeal ruling that it is not a competent court for enforcing a dispute about a monetary obligation under section 91(6) of the Pensions Act 1995.
- 6.1.2 The ruling means that a TPO decision to allow recoupment / recovery from a pension is not enough to enforce it. The scheme also needs an order from a County Court.
- 6.1.3 The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order.
- 6.1.4 In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published a recovery in overpayment cases factsheet to provide guidance to help schemes manage these disputes.
- 6.1.5 The response to the judgement can be found [here](#) and the overpayments cases factsheet can be found [here](#).
- 6.2 Interim chair of the Pensions Ombudsman appointed
- 6.2.1 DWP has appointed Anthony Arter as the Interim Chair of TPO. Anthony served as the Pensions Ombudsman for eight years until January 2023, followed by a period as the Deputy Pensions Ombudsman. He will serve as the Interim Chair until a permanent Chair is appointed.
7. The Pensions Regulator (TPR)
- 7.1 Cyber security guidance
- 7.1.1 The Pensions Regulator has revised its cyber security guidance. The guidance helps trustees and pension scheme managers meet their duties to assess the risk, ensure controls are in place, and respond to incidents.
- 7.1.2 For the first time, the guidance asks pension schemes to report any significant cyber-related incidents to TPR on a voluntary basis as soon as is reasonably practicable. This will help TPR build a better picture of the cyber risk facing the industry and its members.
- 7.1.3 A link to the guidance can be found [here](#).
- 7.2 General Code of Practice
- 7.2.1 On 10 January 2024, the Pensions Regulator responded to the 2021 consultation on the new code of practice which is expected to come into force on 27 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous TPR Codes into one code.

- 7.2.2 The SAB's Secretariat is studying the Code closely to identify any new requirements for administering authorities and how the Code's requirements align with items on the SAB workplan, such as the SAB's 2021 Good Governance recommendations.
- 7.2.3 TPR's research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is required on which parts of the Code apply to the LGPS, what these mean for administering authorities and how they should be applied in practice. The SAB will support authorities in understanding any new requirements in the Code and, where needed, will produce new or update existing guidance to help authorities with their responsibilities.
- 7.2.4 The new code of practice consultation can be found [here](#).

8. Skills and knowledge opportunities

- 8.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 8.2 In addition, in order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Committee, appendix 2 lists the main events that are deemed useful and appropriate.
- 8.3 If members of the Pension Fund Committee would like to attend any of the events listed in appendix 2, please contact a member of the Fund's governance team who will make the necessary arrangements if an invitation has not already been sent.
- 8.4 The Training Strategy was approved at the July meeting of the Pension Committee and members have until 20 July 2024 to complete the mandatory training modules on the Online Training Platform. Here is a copy of the [Training Strategy](#) for reference.

9. Cambridgeshire Pension Fund Policy/Strategy updates.

- 9.1 In March 2023 the Pension Fund Committee agreed for all policies and strategies to be reviewed by the Committee on a three-year cycle (unless stated otherwise) with Officer reviews to be conducted on an annual basis or as deemed necessary.

9.2 For the period the following non material amendments are due to be applied:

Policy/Strategy	Review reason	Amendments made
Conflicts of Interest Policy	Annual review due	The approval, review and consultation section has been updated to reflect that annual Officer reviews will be conducted in addition to the three-year Committee review cycle.
Reporting breaches of the Law to the Pensions Regulator Policy	Annual review due	The General Code of Practice has been laid in Parliament and is due to come into force 27 March 2024. As the reporting breaches of the law is a component of the Code, Officers will review in line with the new Code. No material changes are expected, and confirmation of the review will be reported to the Committee at the June meeting.
Risk Strategy	Annual review due	To review after March to align with the new General Code and to seek views on approach from our new governance advisors.
Cessations Policy	Annual review due	The review is slightly delayed whilst the outcome of the actuarial procurement was awaited. The results of the review will be reported to the Committee at the June meeting.

10. Relevant Pension Fund Objectives.

Has 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.*

Manages 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.*

Ensures 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.*

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

11. Risk Management.

- 11.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk.	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green

11.2 The Fund's risk register can be found on the Pensions website: [Cambridgeshire Pension Fund Risk Register.](#)

12. Communication Implications.

12.1 Training - All staff involved in the administration of the LGPS are aware of how any new developments impact on the calculation and payment of benefits from the scheme.

12.2 Employers - All relevant items are communicated to scheme employers via website updates.

13. Finance & Resources Implications.

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

14. Legal Implications.

14.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

14.2 Implications may arise if the Fund is not compliant with the relevant legislation linked to the activities within this report.

15. Consultation with Key Advisers.

15.1 The LGPS Online Learning Academy is a Hymans product.

15.2 Squire Patton Boggs conducted a review of the paper for legal implications.

16. Alternative Options Considered.

16.1 Not applicable.

17. Background Papers.

17.1 None.

18. Appendices.

18.1 Appendix 1 The Pension Regulator's preparing to connect checklist.

18.2 Appendix 2 Skills and Knowledge training schedule.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 08/03/2024

Has this report been cleared by Head of Pensions? Mark Whitby – 12/02/2024

Has this report been cleared by Monitoring Officer? Emma Duncan – 04/03/2024

Appendix 1 – The Pension Regulator’s preparing to connect checklist: Progress of the Cambridgeshire Pension Fund

Preparation checklist	Relevant guidance	Your status comments
Start now: general tasks		
Establish pensions dashboards as a regular agenda item at board meetings.	Overview – your role and legal duties.	Completed – Delivered as part of the Governance and Compliance Report at each meeting of the Committee and Board.
Discuss pensions dashboards with your administrator and other relevant parties (such as software provider, actuary, legal adviser, employer, additional voluntary contribution provider).	Overview – working with advisers and providers.	Underway – software provider – a dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. In Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time. AVC Providers – Exploring whether the AVC providers will display this information separately.
Explore your route to connection – either building own interface or using a (new or existing) third-party solution.	Connecting to pensions dashboards – choosing a digital interface.	Discussions underway with pensions administration software supplier to procure their ISP services and data matching reports.
If required, appoint new suppliers or revise contracts for existing suppliers.	Connecting to pensions dashboards – choosing a digital interface.	See above.
Start now: data tasks		
Understand what personal data you will receive from the digital architecture to help you match members to their pensions.	Matching people with their pensions.	A dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. By Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time.

Appendix 1 – The Pension Regulator’s preparing to connect checklist: Progress of the Cambridgeshire Pension Fund

Assess the quality and digital accessibility of personal data in your records.	Matching people with their pensions.	Pending procurement of data matching reports.
Consider which data items you will use to confirm matches are made or that there are possible matches.	Matching people with their pensions.	Following production of the data improvement plan in Q1 2024/25.
Where your member personal data needs improving, put plans in place to deliver the improvements.	Matching people with their pensions.	A dashboard readiness report has been received providing detail on the accuracy of the “find” and “value” data. During Q1 2024/25 a data improvement plan will be produced to identify priorities and timescales, including results from the data matching reports if the procurement process is completed in time.
Understand what data you will need to return to members and by when.	Information to provide to members.	We have started to review the data standards - View data Pensions Dashboards Programme .
Assess the quality and digital accessibility of the data that will be provided to your members.	Information to provide to members.	
Preparation checklist	Relevant guidance	Your status comments
Consider how you will calculate the value data so that it is provided in line with dashboard requirements – calculated in line with ASTM1 or scheme rules, and sufficiently recent.	Information to provide to members.	We expect to use the most up to date data from the members Annual Benefit Statements.
Where value data is not in line with dashboard requirements, put plans in place to ensure you can meet your dashboard duties.	Information to provide to members.	We expect our data to be in line with the requirements of the dashboards.
Ongoing actions		
Stay up to date with developments to the regulations, Money and Pensions Service standards and our guidance.	Stay in touch with developments.	

Appendix 1 – The Pension Regulator’s preparing to connect checklist: Progress of the Cambridgeshire Pension Fund

Check that your team and suppliers are on track to deliver.	Overview – working with advisers and providers.	
Record key decisions and progress as per your existing governance processes.	Ongoing connection and record-keeping requirements.	
Review and update your Data Protection Impact Assessment (DPIA) in line with your data improvement plan.	Matching people with their pensions – preparing your data for matching.	

Appendix 2

Training plan 2024

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
JANUARY	Governance Conference	Conference – hybrid	Local Government Association (LGA)	Committee, Board & Officer	18-19 January 2024 (online/York)
FEBRUARY	Equality, Diversity and Inclusion (EDI)	TBC	Aon	Committee, Board & Officers	TBC
MARCH	LGC Investment Seminar	Conference	Local Government Chronicle (LGC)	Committee, Board & Officers	14-15 March 2024 LGC Investment Seminar 2024 (lgcplus.com)
APRIL					
MAY					
JUNE	Local Authority Conference 2024	Conference – face to face	Pension and Lifetime Savings Association (PLSA)	Committee, Board & Officer	11-13 June 2024 Local Authority Conference PLSA
JULY	Equality, Diversity and Inclusion (EDI)	TBC	TBC	Committee, Board & Officers	TBC
AUGUST					
SEPTEMBER	Investment and Pensions Summit	TBC	Local Government Chronicle (LGC)	Committee, Board & Officer	TBC
OCTOBER					
NOVEMBER	Investor Day	TBC	Waystone	Committee & Officer	TBC



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Cambridgeshire Pension Fund

Appendix 2

Date	Training	Method of delivery	Delivered by	Target audience	Additional Information
DECEMBER	Annual Conference 2024	TBC	Local Authority Pension Fund Forum (LAPFF)	Committee, Board & Officer	TBC



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Cambridgeshire
Pension Fund

Pension Fund Committee

28 March 2024

Report by: Head of Pensions

Subject: Employer Admissions and Cessations Report

Purpose of the Report: 1. To report the admission of six admitted bodies to the Cambridgeshire Pension Fund across seven admission agreements.

2. To notify the Committee of one body ceasing participation in the Cambridgeshire Pension Fund.

3. To update on previously reported cessations

Recommendations: That the Pension Fund Committee

1. Notes the admission of the following transferee admission bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreement:

- Aspens Services Limited (Castle Camps Primary School)
- Caterlink (Sir Harry Smith Community College)
- Churchill Catering Limited (Meridian Trust)
- Lunchtime Company Limited (Hardwick & Cambourne Community Primary School)
- OCS Food Co Limited x 2
- RCCN Limited (Astrea Multi Academy Trust)

2. Notes the cessation of the following body from the Cambridgeshire Pension Fund:

- TNS Catering Limited

3. Notes the update on previously reported cessations relating to:

- Compass Contract Services Limited (Innovate Multi Academy Trust)

Enquiries to: Name – Cory Blose, Employer services manager
Tel – 07990 560829
E-mail – cory.blose@westnorthants.gov.uk

1. Executive Summary

- 1.1 The Pension Fund Committee is asked to note the entry, to the Fund, of seven transferee admission bodies and to approve the sealing of the admission agreements.
- 1.2 Six of the admissions are “pass-through” admissions, meaning the assets and liabilities are retained by the awarding authority, so there is no additional risk to the Fund from the admission.
- 1.3 The Committee has no discretion over the admission of these bodies as they have agreed to follow the Regulations of the LGPS by signing the admission agreements and therefore the regulations require the administering authority to admit them to the Fund.
- 1.4 The Committee is also asked to note the exit of one employer from the Fund.
- 1.5 The exiting employer was admitted under a pass-through agreement, so no funding assessment is needed.
- 1.6 The Committee is also asked to note the update on one cessation case previously reported where the funding assessment was outstanding at the time of reporting.
- 1.7 A funding surplus was identified for the exiting employer and an exit credit determination has been made.

2. Background

- 2.1 The Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations) provide for the participation of a number of different types of body in the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.

- 2.2 When an employer ceases participation in the Fund, the administering authority is required, under regulation 64 of the Local Government Pension Scheme Regulations 2013 (the Regulations), to obtain an actuarial valuation, as at the exit date, of the liabilities and to obtain a revised rates and adjustments certificate showing the exit payment due from the exiting employer or the excess of assets in the Fund relating to that employer.
- 2.3 This report provides an update on admissions to and cessations from the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

3. New Admission Bodies

- 3.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an administering authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 (known as transferee admission bodies) is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 3.3 The Pension Fund Committee is asked to note the admission of the following bodies into the Cambridgeshire Pension Fund under paragraph 1(d)(i) and to approve the sealing of the admission agreements:
- Aspens Services Limited (Castle Camps Primary School)
 - Caterlink (Sir Harry Smith Community College)
 - Churchill Catering Limited (Meridian Trust)
 - Lunchtime Company Limited (Hardwick & Cambourne Community Primary School)
 - OCS Food Co Limited x 2
 - RCCN Limited (Astrea Multi Academy Trust)
- 3.4 Full details of the admissions are included in Appendix A.

4 Cessations

- 4.1 The following admitted bodies have exited the Fund:
- TNS Catering Limited (Linton Cluster)

4.2 Full details about this cessation are included in Appendix B.

5 Update on previously reported cessations

5.1 When an employer ceases to participate in the Fund, the Regulations require the administering authority to obtain a valuation of the assets and liabilities attributed to that employer to determine if there is a funding surplus or deficit. If a deficit exists, the employer must pay an exit payment to the Fund equal to the value of the deficit. If a surplus exists, the administering authority must make a determination of the amount of exit credit (which could be zero) should be paid to the exiting employer.

5.2 The Pension Fund Committee is asked to note the update on the following previously reported cessations.

- Compass Contract Services Limited (Innovate Multi Academy Trust)

5.3 Full details of each update are included in Appendix C.

6 Relevant Pension Fund Objectives

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*

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

Ensure appropriate exit strategies are put in place in both the lead up to and termination of a scheme employer. *Objective 7*

7 Risk Management

7.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.

7.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Green
Failure to administer the scheme in line with the regulations.	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green
Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	Green

7.3 The Fund's full risk register can be found on the Fund's website:

[Pension Fund Risk Register](#)

8. Finance & Resources Implications

- 8.1 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.
- 8.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of onboarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 8.3 Employers who are unable to pay monies due during active membership may result in unpaid liabilities being borne by other employers in the Fund.

9. Communication Implications

- 9.1 Direct Communications – Direct communications will be required to facilitate employer start up in the LGPS.
- 9.2 Training – Training will need to be provided to new employers on a number of LGPS issues.
- 9.3 Website – New employers are given access to the employer's guidance available on the pension's website.

10. Legal Implications

- 10.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.
- 10.2 Admitted bodies enter into an admission agreement with the administering authority to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.
- 10.3 Exit credit determinations can be appealed by the exiting employer under the Fund's internal dispute resolution procedure and ultimately the Pensions Ombudsman.

11. Consultation with Key Advisers

- 11.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 11.2 A precedent admission agreement has been drafted by Squire Patton Boggs, specialist pension legal advisers.
- 11.3 Advice was received from the Fund's legal advisers, Squire Patton Boggs, on individual admission and cessation cases, where required.

12. Alternative Options Considered

- 12.1 None.

13. Appendices

- 13.1 Appendix A: New admissions
- 13.2 Appendix B: New cessations
- 13.3 Appendix C: Update on previously reported cessations

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? 08/03/2024
Has this report been cleared by Head of Pensions? 21/02/2024
Has this report been cleared by Monitoring Officer? 04/03/2024

Appendix A: New employers

To be noted:

- **Aspens Services Limited (Castle Camps Primary School)**

Aspens Services Limited have entered a contract with Castle Camps Primary School (a Cambridgeshire Local Education Authority School) to provide catering services. As a result, one employee was transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 September 2023. The assets and liabilities have been retained by Cambridgeshire County Council.

- **Caterlink Limited (Sir Harry Smith Community College)**

Caterlink Limited have entered a contract with Aspire Learning Trust to provide catering services at Sir Harry Smith Community College. As a result, six employees were transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 September 2023. The assets and liabilities have been retained by Aspire Learning Trust.

- **Churchill Catering Limited (Meridian Trust)**

Churchill Catering Limited have entered a contract with Meridian Trust to provide catering services. As a result, twenty eight employees were transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 August 2023. The assets and liabilities have been retained by Meridian Trust.

- **Lunchtime Company Limited (Hardwick & Cambourne Community Primary School)**

Lunchtime Company Limited have entered a contract with Hardwick & Cambourne Community Primary School (a Cambridgeshire Local Education Authority School) to provide catering services. As a result, one employee was transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 September 2023. The assets and liabilities have been retained by Cambridgeshire County Council.

- **OCS Food Co Limited (Ditchburn Place)**

OCS Food Co Limited have entered a contract with Cambridge City Council to provide services at Ditchburn Place. As a result, one employee was transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 February 2022. The assets and liabilities have been retained by Cambridge City Council.

- **OCS Food Co Limited (Huntingdon Youth Centre)**

OCS Food Co Limited have entered a contract with Huntingdon Youth Centre to provide services at Huntingdon Youth Centre. As a result, two employees were transferred to the admission body and a backdated, pass-through admission agreement has been put in place effective 1 April 2023. The assets and liabilities have been retained by Cambridge County Council.

- **RCCN Limited (Astrea Multi Academy Trust)**

RCCN Limited have entered a contract with Astrea MAT to provide catering services. As a result, fifteen employees were transferred to the admission body and a backdated, standard admission agreement has been put in place effective 10 July 2023. No bond has been put in place as the Trust has agreed to directly guarantee the pension liabilities.

Appendix B: New cessations

- **TNS Catering Limited (Linton Cluster)**

TNS Catering Limited were admitted to the Fund under a pass-through agreement on 1 September 2018 after entering a contract to provide catering services to Burrough Green CofE Primary School, Castle Camps Church of England Primary School, Great Abington Primary School and Linton CofE Infant School ('Linton Cluster')

On 31 August 2023, the contract ended. No exit payment or credit is required as the pension liabilities were retained by Cambridgeshire County Council.

Appendix C: Update on previously reported cessations

- **Compass Contract Services Limited (Innovate Multi Academy Trust)**

The cessation of Compass Contract Services Limited was originally reported at the October 2023 meeting of the Pension Fund Committee. The actuarial assessment as at the exit date identified a funding surplus of £2,000.

Following an exit credit determination, as required by, and considering the factors listed under section 64 (2ZC) of the Regulations, the Administering Authority has determined that the amount of exit credit payable to Compass Contract Services Limited (Innovate MAT) is nil. The exiting employer has been informed of the decision and its right to appeal the decision.

Pension Fund Committee

28 March 2024

Report by: Head of Pensions

Subject: Cambridgeshire Pension Fund - Business Plan and Medium-Term Strategy 2024/25

Purpose of the Report: To present to the Pension Committee the Cambridgeshire Pension Fund Business Plan and Medium-Term Strategy 2024/25 and to update the Committee on the end-of-year position of 2023/24 Business Plan activities.

Recommendations: The Committee is asked to:

- 1) note the status of the 2023/24 Business Plan activities and current financial position (see section 2)
- 2) approve the contents of the Business Plan and Medium-Term Strategy 2024/25 (see section 3)
- 3) agree for a membership application to be submitted to Pensions for Purpose on behalf of the Cambridgeshire Pension Fund (see section 4)

Enquiries to: Mark Whitby, Head of Pensions
mark.whitby@westnorthants.gov.uk

1. Background

1.1 It is considered good governance for the Cambridgeshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:

- Sets out the objectives of the administering authority with regards to the management of the Fund.
- Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives.
- Enables progress and performance to be monitored in relation to those priorities; and
- Provides a clear vision for the next three years.

- 1.2 The proposed Business Plan and Medium-Term Strategy for the Cambridgeshire Pension Fund for the period 2023/24 to 2025/26 is in Appendix 2

2. Update on the 2023/24 Business Plan

- 2.1 The Business Plan activities from the 2023/24 financial year have been reviewed with a year-end position being established. The majority of activities have achieved a 'green' RAG status whereby the activity is either completed or it was pre-determined that the activity would be completed after March 2024.
- 2.2 There were four exceptions where the RAG status was 'amber' in the following areas:
- Complete the Guaranteed Minimum Pension Rectification
 - Application of the McCloud age discrimination remedy.
 - Processing of undecided leaver records
 - Implement recommendations from the review of the website and digital communications.
- 2.3 These activities did not progress at the desired rate for 2023/24 and have been rescheduled as part of the 2024/25 Business Plan for resolution.
- 2.4 The procurements within the 2023/24 Business Plan were all concluded, and the outcomes were as follows:

Procurement	Award	Start date
Benefits and Consultancy Services	Hymans Robertson LLP (currently Aon)	1 April 2024
Actuarial Consultancy Services	Hymans Robertson LLP (incumbent)	1 April 2024
Legal Services	Squire Patton Boggs (incumbent)	5 February 2024
Administration and Pensioner Payroll	Heywood Pension Technologies (incumbent)	1 October 2024

- 2.5 Details of the year-end position of all the activities and actions that are being carried over can be located in Appendix 1 and the Cyber Resilience Action Plan can be located in Appendix 3.
- 2.6 The financial forecast for end-of-year position for 2023-24 is included within the 2024/25 Business Plan in Appendix 2.

3. Business plan and Medium-Term Strategy 2024/25

- 3.1 The Business Plan and Medium-Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the following core areas:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Investment related activities
- Communications

3.2 Progress made against the Business Plan will continue to be reported to the Committee at each meeting via the Business Plan Update report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.

3.3 Estimated costs for the activities in appendix 1 have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these will be notified to the Committee via the Business Plan Update report.

3.4 With the increasing complexities of the Scheme and the requirements of significant projects such as McCloud and Pension Dashboards it is becoming more challenging to administer the Fund (approximately 97,147 members and over 300 contributing employers) in a compliant and timely manner and on this basis, additional posts to the current establishment have been identified to alleviate pressure in the following areas –

- Three additional Pension Officer posts (full time) to support business as usual and facilitate the completion of undecided leavers backlog in time for the introduction of the government's Pensions Dashboard initiative and the work that is required from the McCloud rectification.
- A new Training Officer post (full time) to facilitate consistent and robust training to Officers allowing for resource to stay in teams and not be diverted when training is required. This post will allow for more flexibility within the Service and enable more effective succession planning.
- A new Administration Assistant (part time) to support with general administrative tasks to allow for workloads to be effectively managed ensuring key activities are prioritise.

3.5 As only approximately half of this resource will be engaged in CPF activity, the posts will be funded accordingly to reflect this.

3.6 The Climate Action Plan for 2024/25 is located at Appendix D and it also published on the Fund's website.

4. Pensions for Purpose

4.1 Officers recommend the Fund joins the Pensions for Purpose community to support activities in connection with sustainable and impact investing. This is aligned with our investment strategy and responsible investment approach, as well as our climate action plan activities.

- 4.2 Pensions for Purpose shares best practice and promotes understanding of ESG and sustainable and impact investing. It does this by providing access to events, thought leadership, case studies, guidance and research.
- 4.3 Pensions for Purpose has a growing community of over 380 organisational members. Membership is free and the Fund's name would be formally included in the Members' Directory, hence the reason for a committee decision on this matter.
- 4.4 Further information is available at [Home | Pensions For Purpose](#).

5. Relevant Fund Objectives

To 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.

To continually monitor and measure clearly articulated objectives through business planning.

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

6. Finance and Resources Implications

- 6.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee each meeting. The Business Plan sets out the cost of each activity where known or where costs become known during the course of the year, the Pension Committee will be updated accordingly.
- 6.2 The Fund's share of the cost of the additional posts is approximately £72k to £80k depending on appointment scale point.

7. Risk Management

- 7.1 The Committee approves the Annual Business Plan and Medium-Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Committee and Pension Fund Board at every meeting.
- 7.2 The risks associated with failing to monitor progress made against the Business Plan and Medium-Term Strategy have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively.	Green
Pension Fund objectives are not defined and agreed.	Green

Risk	Residual risk rating
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

7.3 The Fund's full risk register can be found on the Fund's website at the following link:
[Cambridgeshire Risk Register](#)

8. Communication Implications

Direct Communications: An update on progress made against the activities in the Business Plan will be presented to the Pension Fund Committee each meeting.

Website: The Business Plan will be published on the Fund's website.

9. Legal Implications

9.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

10. Consultation with Key Advisers

10.1 The Fund's current key advisers have been consulted where necessary.

11. Alternative Options Considered

11.1 Not applicable.

12. Background Papers

12.1 Not applicable.

13. Appendices

13.1 Appendix 1 – Year-end status of Business Plan activities for 2023/24.

Appendix 2 – Cambridgeshire Pension Fund Business Plan and Medium-Term Strategy 2024/25.

Appendix 3 – Cyber activity action plan – **exempt**.

Appendix 4 - Climate Action Plan 2024/25.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood/Michael Hudson - 08/03/2024

Has this report been cleared by Head of Pensions? Mark Whitby – 21/2/2024

Has this report been cleared by Monitoring Officer? Emma Duncan - 04/03/2024

Activity	Year-end status	RAG status
Complete the Guaranteed Minimum Pension Rectification.	This project is due to complete by 30 June 24 and therefore will not feature in the 2024/25 Business Plan.	Amber
Application of the McCloud age discrimination remedy.	Delays in government guidance has impacted this activity. The rectification element of the McCloud remedy will feature in the 2024/25 business plan.	Amber
Processing of undecided leaver records.	Continuation of the project will continue into the 2024/25 business plan.	Amber
Implement recommendations from the review of the website and digital communications.	Continuation of the project will continue into the 2024/25 business plan following a delay with the developer.	Amber
Review and implement changes required from the Pension Regulator's new Code of Practice.	Transferred to the 2024/25 business plan due to the delay in the release of the code.	Green
Implement the best practice recommendations of the good governance review.	Transferred to the 2024/25 business plan due to the delay in the release of the standards.	Green
Implement equality, diversity and inclusion (EDI) best practices.	Completed. Action plan has been prepared and will be taken to April 2024 Pension Fund Board. New milestones to form part of 2024-25 Business Plan.	Green
Address and mortality screening Services.	Completed.	Green
Re-tender for benefits and governance consultancy services.	Completed.	Green
Re-tender for actuarial consultancy services.	Completed.	Green
Re-tender for legal services provider.	Completed.	Green
Re-tender for pensions administration and pensioner payroll platform.	Completed.	Green
Continue to review cyber resilience.	Completed.	Green
Review the administrative performance of the Fund's additional voluntary contribution providers.	Completed.	Green
Prepare for the implementation of Pension Dashboards.	Completed.	Green
Continue development of the ACCESS asset pool.	Completed.	Green

Activity	Year-end status	RAG status
Continue activities within the Fund's Climate Action Plan.	Completed.	Green
Implement the revised Investment Strategy.	Completed.	Green
Review of investment consultancy contract.	Completed.	Green

Business Plan and Medium Term Strategy

2024/25 to 2026/27

Introduction

This is the business plan for the Cambridgeshire Pension Fund which is managed and administered by Cambridgeshire County Council in partnership with West Northamptonshire Council. The business plan details the priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2024/25, 2025/26 and 2026/27. The business plan was approved at the Pension Committee meeting on xx/xx/xxxx. The business plan is monitored throughout the year and the Pension Committee may be asked to agree changes to it

The purpose of the business plan is to:

- Explain the background and objectives of Cambridgeshire County Council in respect of the management of the Cambridgeshire Pension Fund;
- Document the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enable progress and performance to be monitored in relation to those priorities; and
- Provide a clear vision for the next three years.

In addition, the business plan includes a budget for expected payments to and from the Cambridgeshire Pension Fund during 2024/25 including the resources required to manage the Fund.

Further information

If you require further information about anything included or related to this business plan please contact:

Mark Whitby, Head of Pensions
mark.whitby@westnorthants.gov.uk
07990 556197

Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £4.231bn* Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Cambridgeshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership* is approximately 97,147 of which 28,067 are active members from over 341* individual contributing employers and approximately 69,100 retired, survivor, deferred and other members.

**As at 31 March 2023*

Governance and management of the Fund

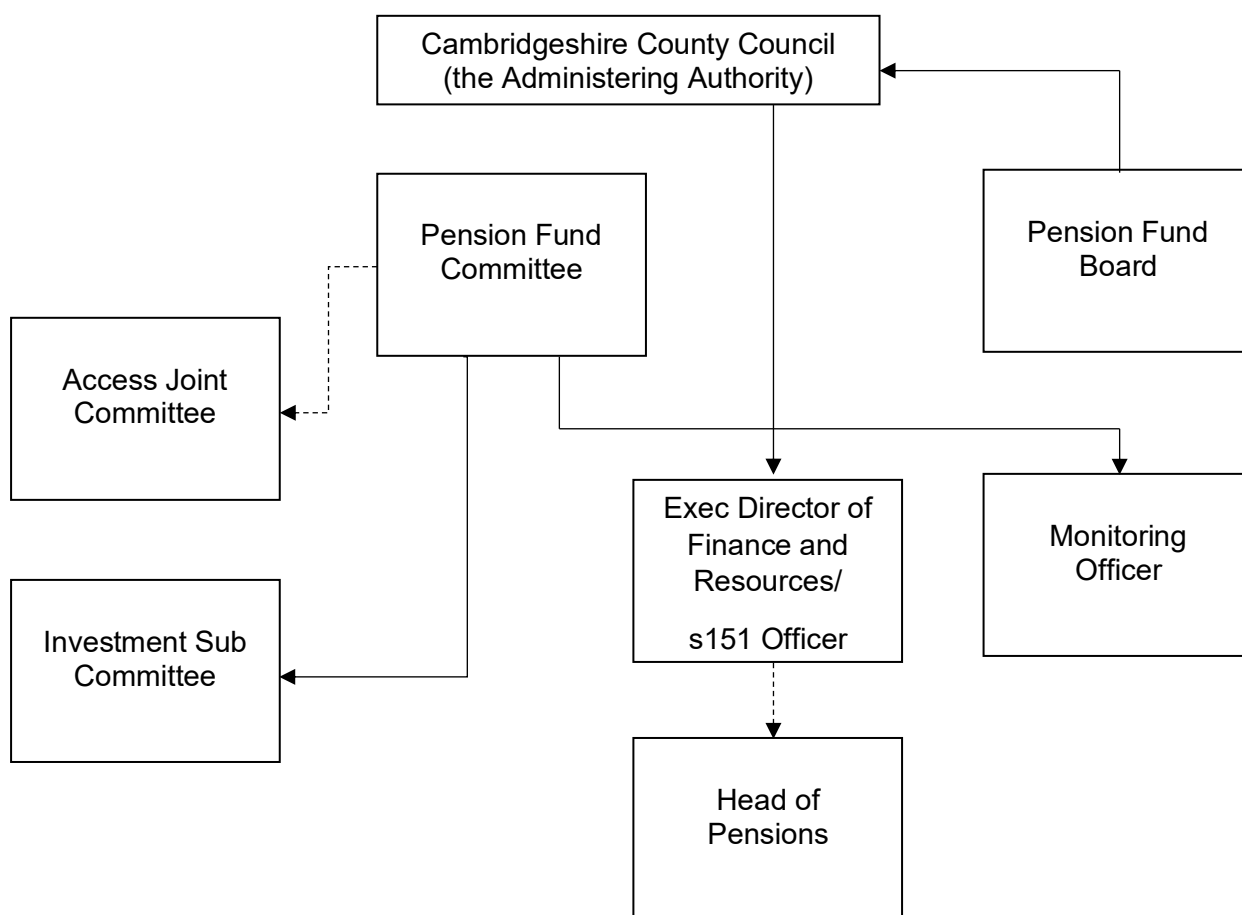
The key decision-making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

Cambridgeshire County Council's Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters.

Eleven authorities, including Cambridgeshire County Council, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The Cambridgeshire Pension Fund governance structure is shown below.



Administration of the Fund

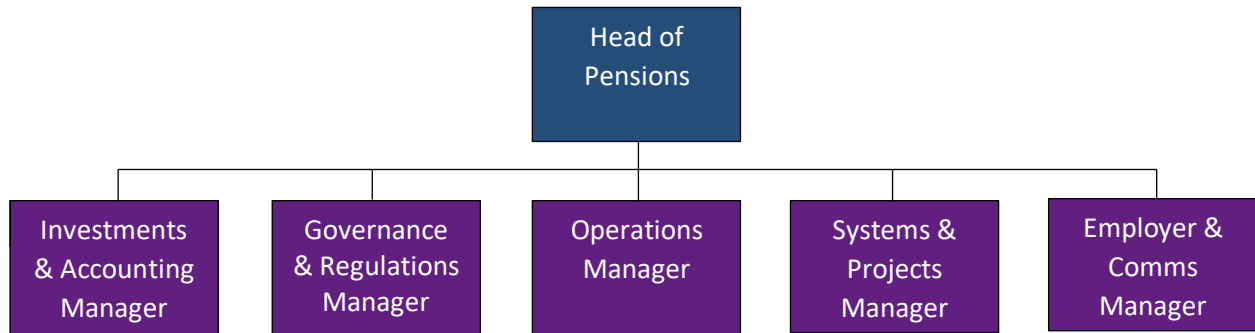
The Cambridgeshire and Northamptonshire Pension Funds are administered under a lead authority model with the lead authority being West Northamptonshire Council working in partnership with Cambridgeshire County Council. The Funds remain two distinct entities.

Management and administration of both Funds is based at One Angel Square in Northampton. The Funds have benefited from cost savings through the ability to procure services such as custodian, actuarial, benefits, governance and investment consultancy on a joint basis as well as streamlining the provision of the administration functions.

The day-to-day operations of the Fund are managed by the Head of Pensions who is supported by five teams:

- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Committee and Local Pension Board. In addition, the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance and provides quality assurance with prevailing LGPS specific and overriding legislation. The team specialises in information governance and pension taxation.
- The Investments and Fund Accounting Team liaises with the ACCESS asset pool and provides governance over the Fund's investments whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required. The team also provides the financial control function to the Fund, managing and accounting for the receipt of contributions from employers, processing the Fund's financial transactions and overseeing the production and audit of the Annual Report and Statement of Accounts.
- The Operations Team is responsible for providing the full range of casework administration. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems & Projects Team is responsible for a wide range of projects that are required to be delivered across the service. The current projects that are being delivered are overseas proof of existence checks on pensions in payment, data quality improvements, certain activities resulting from the McCloud remedy, preparation for pension dashboards and targeted areas of casework classified as backlog. The team is also responsible for maintaining the pension administration, payroll, member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employer Services and Communications Team is responsible for facilitating the entry and exit of employers to and from the Fund. The team also acts as employer liaison, providing end to end support to employers throughout their life cycle in the Fund, including day to day assistance and training to ensure employers are aware of and able to carry out their responsibilities. The team also manages the internal and external escalation process, the triennial actuarial valuation process and managing employer risk. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.

The structure of the Pensions Service which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2024 is illustrated below in simplified form:



The current full time equivalent of staffing is 91.37. The full Pensions Service structure is at Appendix A.

Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- To 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.
- To 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.
- To 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.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver accessible communications to stakeholders.

- To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.
- To invest sustainably to achieve better long-term outcomes for the Fund and its stakeholders by ensuring environmental, social and governance factors are taken account of across all investment decision making.

Business as usual

The appendix to the business plan highlights the key priorities for the next three years and focuses on areas of change and projects which are in addition to day to day “business as usual” duties. On a day-to-day basis the focus is on the following key elements of Fund management:

- Paying pension benefits to beneficiaries as prescribed by the LGPS Regulations.
- Ensuring employers provide monthly membership data by the required deadline.
- Communicating with scheme members about their membership of the Fund.
- Ensuring all pension contributions that are paid by active members are received as prescribed by the LGPS.
- Ensuring all employers pay their pension contributions.
- Safeguarding the money in the Fund (the Fund’s assets).
- Investing any Fund assets that are in excess of those needed to pay immediate benefits.
- Working with the Fund Actuary to ensure that the amount employers pay into the Fund is sufficient to pay future pension benefits.

Managing this on a day-to-day basis involves a wide range of processes and procedures designed around achieving the Fund’s objectives. The Fund is large, complex, and highly regulated. As such these processes and procedures require expert knowledge and experience as illustrated below.

Governance

- Setting the agenda, reporting, and presenting to the Pension Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice and changing LGPS regulations and over-riding legislation.

- Ensuring adherence to the administering authority's policies and legal requirements for procurement, cyber security, and data protection.
- Ensuring Fund policies and strategies are in place and appropriately maintained.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

Accountancy

- Preparing and publishing the Fund's annual report.
- Completing the annual accounts and assisting external auditors.
- Preparing the annual budget, monitoring, and reporting quarterly.
- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Cash flow management.
- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

Funding

- Agreeing the draft funding strategy with the Fund Actuary, for Committee approval, every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Fund Actuary, providing membership and cash flow data, and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.
- Managing the FRS/IAS reporting cycles alongside the Fund Actuary, based on employer specifications and appropriately communicating with Scheme Employers.

Investments

- Monitoring and reporting on the Fund's funding position.
- Carrying out a review of the investment strategy at appropriate intervals.
- Managing the Fund's assets through the asset pool arrangements or directly for non-pool aligned assets.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS Funds within ACCESS to ensure the pool meets the Fund's strategic investment requirements.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave, or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining accurate scheme member records.
- Receiving monthly membership data from scheme employers, checking its validity and ensuring it is accurately uploaded to scheme member records.
- Providing an online scheme member self-service facility.
- Administering the internal dispute resolution procedure.

Payroll

- Calculating and paying monthly pensions to pensioners and beneficiaries.
- Issuing of payslips at appropriate times.
- Issuing P60s.
- Investigating returned payments and dealing with any under or overpayment of pensions.
- Updating and maintaining accuracy of pensioner member details.

Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing all other statutory communications to members.
- Providing information to members via one-to-one sessions, workshops and newsletters.
- Launch new Fund website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.
- Prepare for the next triennial valuation

Technical

- Maintaining and updating the pensions administration and pensioner payroll system.
- Ensuring presence, accuracy, and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Monitoring and reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.

- Processing bulk updates to member records such as new joiners and leavers, pensions increase, CARE revaluation and monthly pensionable pay and contribution data.

Challenges and influences over the next three years

The current environment is such that there is an unprecedented volume of external factors that could impact the management of the Fund:

- The increased oversight by the Pensions Regulator and the issuance of the new general code of practice.
- Implementation of Pension Dashboards.
- New and amending regulations affecting the Local Government Pension Scheme including the remedy resulting from the McCloud high court ruling.
- The impact of the abolishment of the Lifetime Allowance from 6 April 2024.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers and Committee and Board members to comply with the requirements of MIFIDII, CIPFA's skills and knowledge framework, and best practice and guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The number and diversity of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.
- The need to manage the climate risk within the Fund's investment portfolio as well as meet future statutory reporting requirements including those related to the Task Force on Climate-Related Financial Disclosures (TCFD).

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into six sections:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Scheme employer projects
- Investment related activities.
- Communications

Budget

All the costs associated with the management of the Fund are charged to the Fund and not Cambridgeshire Council. The following shows the expected income and expenditure (cash flow) of the Fund as well as the anticipated operating costs.

Cash flow projection 2022/23 to 2025/26

The following tables provide estimates of the Fund account, investment and administration income and expenditure for the next three years.

	2023/24 Estimate	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£000	£000	£000	£000	£000
Contributions ¹	148,000	162,000	155,000	158,000	167,000
Transfers in from other pension funds ²	11,000	21,500	18,000	19,000	19,000
TOTAL INCOME	159,000	183,500	173,000	177,000	186,000
Benefits payable ³	(137,000)	(137,000)	(149,000)	(157,000)	(165,000)
Payments to and on account of leavers ²	(9,000)	(17,400)	(13,000)	(13,500)	(14,000)
TOTAL PAYMENTS	(146,000)	(154,400)	(162,000)	(170,500)	(179,000)
Net additions/(withdrawals) from dealings with members	13,000	29,100	11,000	6,500	7,000
Management expenses (Invoiced)	(4,947)	(5,328)	(5,903)	(6,233)	(6,349)
Management expenses (Non-invoiced) ⁴	(22,900)	(20,300)	(21,300)	(22,400)	(23,500)
TOTAL MANAGEMENT EXPENSES	(27,847)	(25,628)	(27,203)	(28,633)	(29,849)
TOTAL INCOME LESS EXPENDITURE	(14,847)	3,472	(16,203)	(22,633)	(22,849)
Investment income ⁵	34,000	66,600	48,000	50,000	52,000
Taxes on income	-	-	-	-	-
Profit and (losses) on disposal of investments and changes in the market value of investments ⁶	204,000	252,700	219,000	230,000	241,000
NET RETURN ON INVESTMENTS	238,000	319,300	267,000	280,000	293,000
Net increase/(decrease) in net assets available for benefits during the year	223,153	322,772	250,797	257,867	270,151

Management Expenses

	2023/24 Estimate	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£000	£000	£000	£000	£000
Total administration expenses	(3,221)	(3,117)	(3,546)	(3,602)	(3,745)
Total governance expenses	(881)	(962)	(1,072)	(1,283)	(1,190)
Total investment expenses	(845)	(1,249)	(1,285)	(1,348)	(1,414)
TOTAL MANAGEMENT EXPENSES	(4,947)	(5,328)	(5,903)	(6,233)	(6,326)

Administration Expenses

	2023/24 Estimate	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£000	£000	£000	£000	£000
Staff related	(2,080)	(2,176)	(2,458)	(2,537)	(2,618)
Altair administration and payroll system	(485)	(444)	(413)	(434)	(455)
Data Assurance	(25)	(27)	(22)	(23)	(24)
Communications	(51)	(22)	(87)	(28)	(30)
Other non pay and income	(27)	105	15	30	23
County Council overhead recovery	(553)	(553)	(581)	(610)	(641)
TOTAL ADMINISTRATION EXPENSES	(3,221)	(3,117)	(3,546)	(3,602)	(3,745)

¹Contributions have been calculated using the Employer contribution rate and salary increase assumptions of 3.2% set by the actuary at the 2022 Valuation. Contributions in 2026/27 are subject to change due to the 2025 valuation. The 2023/24 forecasted variance is due to actual salary increases being much higher than the actuarial salary increase assumption used from the 2022 valuation.

²Transfers in/out have been calculated using an average of 3 years (excluding group transfers).

³2024/25 benefits payable have been calculated using average membership increases, estimated PI of 6.7% and pension increases assumptions of 2.7% set by the actuary in subsequent years.

⁴Management expenses (non-invoiced) have been calculated using investment managers actual fees plus the actuarial assumption of investment growth +4.9% per annum.

⁵Investment income have been calculated by using an average of 3 years income received and applying the actuarial assumption of investment growth +4.9% per annum.

⁶Return on Investments have been calculated by applying the actuarial assumption of investment growth +4.9% per annum.

Delivering the business plan

Monitoring and reporting

To identify whether the agreed business plan is being met progress on the key priorities and budgets will be monitored by the Fund management team and reported to the Pension Committee and Local Pension Board at every meeting.

The updates will:

- Highlight any areas where the target is exceeded or where the target has not been achieved and the reasons why and identify any changes in response to the planned priorities because of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Risk Management

The Cambridgeshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary.

The table below lists the Fund's highest rated risks as of February 2023 and the executive summary risk register can be found on the Fund's website:

Risk	Residual risk rating
The operations of the Pension Fund and that of its suppliers are interrupted as a result of a cyber-attack.	Amber
Failure to respond to changes in economic conditions.	Amber
The ACCESS asset pool does not have the sub-fund choices available to enable the Fund to fulfil its strategic and tactical asset allocation requirements in a timely manner.	Amber
The Pension Fund and its members may become a target for fraudsters and criminals.	Amber
Pension Fund systems and data may not be secure and appropriately maintained, whether in situ or in transit.	Amber

Procurement of Services

Activity	Background	Key Milestones	Resources required
<p>Extend the contract with the current supplier of address and mortality screening services and have a new solution in place from 1 April 2025.</p>	<p>The current contract for address tracing and mortality screening ceases in June 2024.</p> <p>The delay in launching the National LGPS Framework has meant that there will be inadequate time to comprehensively review options before the current contract expires.</p> <p>Therefore, the aim is to have a new solution in place from 1 April 2025 to allow for all options to be fully considered.</p>	<p>Extend existing contract until 31 March 2025 (subject to s151 Officer approval) (April 2024).</p> <p>Register to access National LGPS Framework (April 2024).</p> <p>Consider framework offerings and other suitable solutions (April – June 2024).</p> <p>Develop approach for procurement of address and mortality screening services (June 2024 onwards).</p>	<p>Costs will be dependent upon route determined.</p> <p>Framework costs TBC.</p> <p>Legal fees TBC.</p>
<p>Procure an Integrated Service Provider (ISP) to enable connection to the Pension Dashboards ecosystem before the staging date deadline of 31 October 2026.</p>	<p>Via a variation agreement to the Fund's pensions administration and payroll software contract, procure Heywood Pensions Technology Ltd's ISP solution and associated data quality reports enabling:</p> <ul style="list-style-type: none"> - connection to the Dashboard ecosystem. - improvements in data quality to facilitate smoother data matching. <p>The Heywood ISP solution will fully integrate into the pensions administration system, Altair, resulting in a more effective and straightforward implementation than with an alternative provider.</p> <p>ISP capabilities of suppliers were tested as part of the 2023-24 pensions software tender.</p>	<p>Complete procurement activities (April 2024, or sooner).</p> <p>Receive data quality reports and produce data improvement plan to improve data quality for matching purposes (April 2024 or sooner).</p> <p>Implementation of software (tbc when the Pensions Dashboards Programme confirm final parameters that will enable ISP suppliers to begin implementation).</p>	<p>Framework costs TBC.</p> <p>Legal fees £1,000.</p> <p>Implementation cost £10,000.</p> <p>Annual cost £56,000 ISP and £11,000 reporting dashboards support and maintenance.</p>

Investment Consultant Contract	<p>The current investment consultancy supplier is Mercer. The initial contract comes to an end on 30 September 2024. The contract has the ability to extend up to a maximum of three years to 30 September 2027.</p> <p>A decision was taken by the Committee in 2023-24 to align a review of the contract with the 2024 IC Objectives review.</p> <p>If the Committee decide to re-procure the contract, the National LGPS Frameworks will be used for the re-tender. A shorter-term extension would be required.</p>	<p>Complete Investment Consultancy (IC) Objectives review (July 2024).</p> <p>Decision as to whether to extend or re-procure the investment consultancy contract (October 2024).</p> <p>Implement Committee decision (October 2024 – March 2025).</p>	<p>Costs are dependent on which route will be decided.</p> <p>Extension: Legal fees for review of the extension paperwork £300.</p> <p>Re-procurement: Cost of subscription to framework £4,000.</p> <p>Legal fees £1,000.</p> <p>No additional staffing costs will be required for both options.</p> <p>All costs included within the governance and administration budget.</p>
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Core governance activities

Activity	Background	Key Milestones	Resources required
Review and implement changes required from the Pension Regulator's new General Code of Practice.	<p>In March 2021 the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The revised code of practice consolidates, updates, and amends the existing 15 codes of practice into one single consistent source of information.</p> <p>The responses to the consultation have taken the Pensions Regulator longer than expected to digest and as such the new general code of practice' is due to come into force in March 2024.</p>	<p>Review compliance of the Fund against the new standards (April 2024).</p> <p>Develop an action plan of changes required (May 2024).</p> <p>Present progress against the action plan to the Pension Fund Committee and Pension Board at each meeting (June 2024 – October 2024).</p>	<p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p>
Implement the best practice recommendations of the good governance review.	<p>The Scheme Advisory Board (SAB) has been working on the good governance review for several years with the current objective to identify both the issues deriving from the current scheme arrangements and the potential benefits of increasing the level of separation between the host authority and the scheme manager role to avoid potential conflicts of interest.</p> <p>Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of DLUHC to amend scheme regulations and publish statutory guidance, others by SAB and other for Funds to implement as best practice.</p> <p>The standards are due to be issued early 2024.</p>	<p>Develop an action plan to implement the best practice activities (TBC).</p> <p>Present update on progress on action plan to the Pension Fund Committee (TBC) and Pension Board (TBC).</p> <p>Implementation of activities requiring SAB and DLUHC guidance (TBC).</p>	<p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p>

Prepare for the implementation of Pension Dashboards.	<p>Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together. The industry is currently consulting on the proposed staging date for public service pension schemes with the final staging guidance to be released by the Money and Pensions Service in the Spring of 2024.</p> <p>Project plan activities based on national connection guidance will be undertaken in the following areas in order to connect to the Pension Dashboard ecosystem: Governance, Internal controls, Connection, Record keeping, Budget, Resource, Data.</p> <p>Note there is a separate Business Plan activity dealing with the ISP procurement.</p>	<p>Undertake project plan activities to enable connection to the Dashboard including data cleansing activities (April 2024 – March 2025).</p> <p>Update the Committee and Board with progress against the Pension Regulator's dashboard checklist as appropriate.</p>	<p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p> <p>ISP costs set out in separate business plan activity.</p>
Continue to review cyber resilience	Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan will be updated as and when necessary.	Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Fund Committee and Pension Fund Board.	<p>No additional staffing costs.</p> <p>All costs associated with this activity have been included within the governance budget.</p>
Implement equality, diversity and inclusion (EDI) best practices	<p>The Pensions Regulator has published guidance to help improve pension schemes' equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes.</p> <p>The Fund will be aiming to improve its equality, diversity and inclusion via these best practices.</p>	<p>Present action plan to Local Pension Board (April 2024)</p> <p>Present action plan to Pension Committee (June 2024)</p> <p>Further milestones subject to action plan approval (TBC)</p>	<p>No additional staffing costs.</p> <p>All costs included within the governance budget for 2024/25.</p>

Review the National LGPS Framework for Additional Voluntary Contribution Services (AVC)	<p>The Fund has two Additional Voluntary Contribution (AVC) providers Utmost Life and Prudential, which have recently been reviewed for administration and investment performance for which both were deemed adequate for the needs of the Fund.</p> <p>However, it is important that the Fund does not become complacent with arrangements over the long term and other providers should be considered where appropriate to establish whether another arrangement would be better suited for members.</p> <p>The first National LGPS Framework for AVC Services is being developed to support Funds in meeting their AVC responsibilities and is due to launch at the end of April 2024. A decision will be made as to whether to enter into a procurement process.</p>	<p>Register to access national LGPS Frameworks (May 2024).</p> <p>Consider framework offerings against arrangements already in place (June 2024 – August 2024).</p> <p>Develop approach for procurement if required (July – August 2024).</p> <p>Present findings to the Pension Fund Committee (October 2024) and Pension Fund Board (November 2024).</p>	<p>Costs will be dependent upon route determined.</p> <p>Framework costs TBC.</p> <p>Legal fees TBC.</p>
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Scheme member and data projects

Activity	Background	Key Milestones	Resources required
McCloud remedy rectification	<p>The McCloud age discrimination remedy removes the age discrimination that has been judged to have arisen in the LGPS due to the age-related transitional protections that were introduced following the introduction of CARE arrangements in 2014.</p> <p>Following the implementation of the age discrimination remedy on 1st October 2023 the records of scheme members within scope of the McCloud ruling must be reviewed to determine if any rectification of benefits is required in line with the remedy and national guidance that is currently awaited from DLUCH.</p>	<p>Milestones will be updated once guidance from DLUCH has been received.</p> <p>The LGA have advised Funds to allow for two years from receipt of the guidance to completion of all activities.</p>	<p>Possible consultancy costs may be incurred with uploading data to records (the potential costs have yet to be confirmed).</p>

Processing of undecided leaver records	<p>The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award.</p> <p>A significant number of these records are in progress for a variety of reasons, including outstanding information or workflow. Any case which is older than 6 months since the point of notification is classed as backlog/aged case and reported through this business plan activity.</p> <p>The backlog had reduced by over 1,400 cases as at 31 January 2023 to circa 7,000 cases. The intention is to reduce this backlog by 6,000 further cases over the next 3 years.</p>	<p>NPF: Reduce the backlog by 1,000 (April 2024 – March 2025).</p> <p>Reduce the backlog by 2,500 (April 2025 – March 2026).</p> <p>Reduce the backlog by 2,500 by 2,500 (April 2026 – March 2027).</p>	<p>Costs are to be met by the administration budget, which includes the addition of two Pensions Officers to BAU, preventing further spill over into backlog, and one further officer to the project team.</p>
Explore the upgraded member self-service portal, Heywood Engage.	<p>The Fund's supplier (Heywood Pension Technologies Ltd) of the current member self-service portal (MSS) have released a new self-service portal, Heywood Engage, with many enhanced features to provide scheme members with a better understanding of their future pension entitlement.</p> <p>In order to determine the optimum time, migrate to the new portal a full review of the portal's offerings, migration process and communication requirements will need to be undertaken.</p>	<p>Undertake review of the current new and enhanced features and those that will be introduced in this financial year (April – May 2024).</p> <p>Consider all actions required from the migration process and impact on communications and support required by members (June – July 2024).</p> <p>Make decision on if/when to begin implementation (August 2024).</p>	<p>No additional resources required at this time.</p> <p>Core functionality of Heywood Engage does not incur any additional cost. Implementation costs and costs for additional functionality will be provided to inform future decision making.</p>

Investment related activities

Activity	Background	Key Milestones	Resources required
Continue development of the ACCESS asset pool.	<p>The key asset pooling developments over the medium-term are:</p> <ul style="list-style-type: none"> - Expected regulations and guidance following DLUHC's response to the "LGPS: Next steps on investments" consultation, including those relating to the pooling model, the pace of asset transition, levelling up plans and private equity ambition. - Matters arising from the ACCESS third party review - The Operator re-procurement - Provision of ACCESS non-listed asset solutions; real estate, private equity, private debt, infrastructure - Responsible investment 	<p>Consideration of revised regulations and guidance (TBC)</p> <p>Consideration/implementation of options from third party review (throughout 2024-25)</p> <p>Procurement of Operator (March 2024 – Dec 2024) Operator contract effective from March 2025</p> <p>Non-listed programme development (throughout 2024-25)</p> <p>Responsible investment activities including review of Voting Guidelines (throughout 2024-25)</p> <p>Further restricted information will be provided through the regular ACCESS update.</p>	<p>ACCESS costs have been included in Management Expenses based on estimated costs provided by the Pool</p>

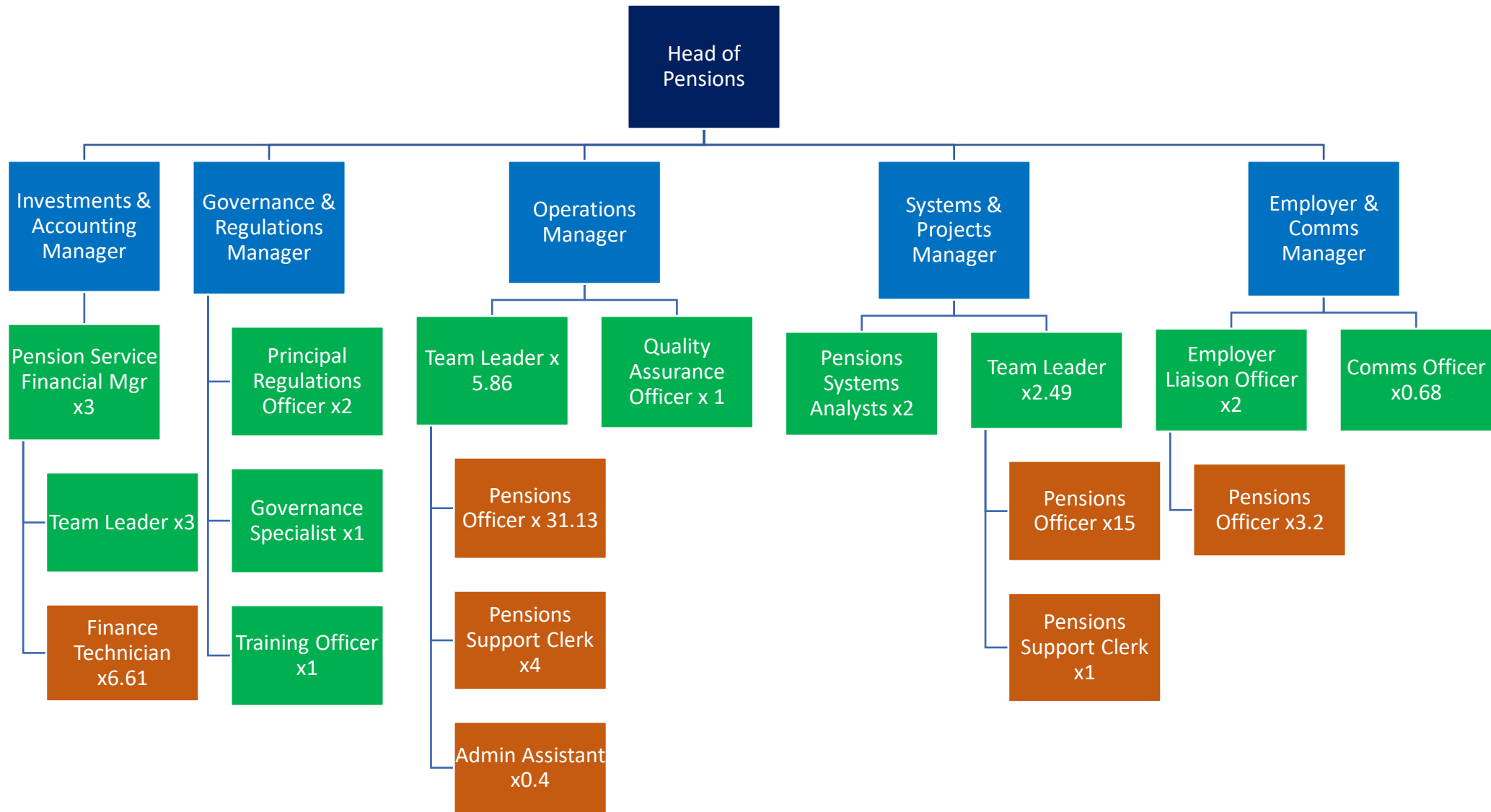
Continue activities within the Fund's Climate Action Plan	<p>In May 2023, the ISC approved the adoption of the carbon footprint metric as the primary metric for monitoring progress against the existing decarbonisation targets, maintaining reductions at 23% by 2024 and 57% by 2030.</p> <p>In November 2023, ISC approved the "roadmap" carbon reporting beyond listed equities.</p>	All activities are listed within the Climate Action Plan – see Appendix D.	All costs associated with this have been included within the Investment and Staffing budgets
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Communications

Activity	Background	Key Milestones	Resources required
Continue with the development of the website	<p>Following review of the pension fund website and testing of recommended changes, a homepage and example content pages have been developed and comments received from the local pension board.</p> <p>The team will now finish the build of the website during quarter 1 of the scheme year and launch in quarter 2.</p> <p>Following the initial launch, satisfaction of the new website will be tested at the end of quarter 3.</p>	<p>Webpages to be drafted and approved for publication. (April to June 2024).</p> <p>Communicate planned website update to stakeholders (May to July 2024).</p> <p>Launch new website (July 2024).</p> <p>Review satisfaction with new website (December 2024).</p>	<p>No additional financial resource needed.</p> <p>Expenditure carried forward from the project with an original budget of £30k. All costs are therefore included within the staffing and administration budget.</p>
Prepare for 2025 Fund Valuation	<p>The date of the next triennial valuation of the Pension Fund is 31 March 2025 with results to be published by 31 March 2026 and new employer contribution rates effective from 1 April 2026. Officers will work with the Fund's actuarial advisors to develop requirements and plan for the valuation.</p> <p>This will include a review of assumptions to be used for the valuation and preparation of early valuation results for large local authority employers.</p>	<p>Develop plan with Fund Actuary (April to June 2024).</p> <p>Undertake pre-valuation activities (July 2024 to March 2025).</p> <p>Valuation of the Pension Fund April 2025 to March 2026).</p>	<p>Required resources have been included in the administration budget for 2024/25.</p> <p>Associated costs have also been included in the draft budget for 2025/26.</p>

<p>Review suitability of having multiple investment strategies</p>	<p>The Pension Fund Committee previously considered whether to introduce multiple investment strategies to provide greater flexibility to meet the different funding requirements of scheme employers.</p> <p>This was not previously implemented as modelling of a variety of “investment buckets” suggested no material improvement in funding outcomes, with increased downside risk.</p> <p>However, modelling did suggest that multiple investment strategies may provide improved outcomes if certain conditions were different, including if asset values were 20% greater than at the time of the modelling.</p> <p>Reconsideration is therefore proposed via a two-stage process, initially investigating whether the landscape has sufficiently changed to warrant further impact modelling and then a full impact review of the options.</p>	<p>Actuary to carry out initial assessment to determine if conditions have changed sufficiently to warrant further impact modelling (April 2024).</p> <p>Officers to consider results of initial assessment (May to June 2024).</p> <p>Officers to make recommendation to Committee (July 2024).</p> <p>If recommended and approved Fund officers to discuss scope of impact modelling and options to be considered (August to September 2024).</p> <p>Actuary to carry out impact modelling (October to December 2024).</p> <p>Officers to consider results of impact modelling (January 2024).</p> <p>Officers to present results and make recommendation to Committee for approval (March 2025).</p>	<p>Costs will be dependent on the scope of the review. If recommended by the Fund Actuary, the Committee will be asked to approve progress to the second stage of the review and will be provided with updated costs at that time.</p> <p>The cost of the previous impact modelling was £35,000.</p>
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Appendix A: Full Pensions Service structure



Cambridgeshire Pension Fund - Climate Action Plan

Calendar Year

Quarter 1 2022

Agree decarbonisation pathway and targets that align the beliefs and ambitions of the Investment Sub Committee (ISC). The ISC agreed target reductions in absolute carbon emissions of the Fund's listed equity holdings of at least: <ul style="list-style-type: none">• 23% from June 2021 baseline by 2024• 57% from June 2021 baseline by 2030	✓
Communicate agreed targets and aspirations to investment managers	✓
Instruct advisers to investigate high level approaches to climate aware passive equity investing	✓
Publish Climate Action Plan	✓

Quarter 2/3 2022

ISC receive training on strategic options to decarbonise the Pension Fund's active equity portfolio, including setting targets for existing managers and considering sustainable and impact equity and/or UN Sustainable Development Goals (SDG) alignment	✓
ISC receive report on high level climate aware passive equity options	✓

Quarter 3/4 2022

Receive implementable proposal on carbon aware passive equity portfolio	✓
Prepare and publish reporting in line with the Task-Force on Climate-Related Financial Disclosures (TCFD) disclosure requirements for the 2021-22 Fund annual report	✓

2023

Quarter 1 2023

Agree managers and portfolio structures for climate aware passive investing	✓
Analysis of climate metrics as at 30/06/22	✓

Quarter 2 2023

Review progress against targets and appropriateness of metrics.	✓
Continue to engage with existing active equity managers around decarbonisation approaches - as required	✓
Engage with private asset managers to improve carbon data provision for portfolios and increased ESG integration	
Implement carbon aware passive equity in Q2 2023	✓
ISC consider proposals for impact investing in private markets - Infrastructure	✓

Quarter 3 2023

Engage with ACCESS on sustainable/impact infrastructure managers (based on Committee preferences following Q2 2022 discussion)	✓
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Quarter 4 2023

Analysis of climate metrics as at 30/06/23	✓
ISC consider proposals for sustainable/impact investing in listed equity as part of equity portfolio review	

2024

Quarter 1 2024

ISC consider proposals for including asset classes beyond listed equity in climate reporting and target setting	
Consider setting more granular targets across: - Sustainable/Climate solutions - Transition alignment - Stewardship	
ISC receive report on availability of data and approach on alternatives assets	
ISC consider proposals for sustainable/impact investing in private markets (Private equity/property)	
Review progress against targets and appropriateness of metrics	
Consider draft UK Stewardship Report ahead of submission to FRC	
ISC consider feasibility of including Scope 3 within emissions reduction reporting and targets	

Quarter 2 2024

Use insights and recommendations to shape discussions and support climate change reporting (TCFD) - awaiting outcomes of consultation	
Consider potential connections to biodiversity/natural capital	
Submit approved UK Stewardship Report to FRC	

Quarter 3 2024

Continuation of the work with active managers to implement carbon reduction measures and increase the sustainability of the portfolios they manage	
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Cambridgeshire Pension Fund

Pension Fund Committee

28 March 2024

Report by:	Head of Pensions
Subject:	Communications plan
Purpose of the report:	To obtain approval for the communications plan for 2024/2025.
Recommendations	The Pension Fund Committee are asked to approve the communications plan.
Enquiries to:	Sharon Grimshaw, Communications Officer sharon.grimshaw@westnorthants.gov.uk

1. Background

Regulation 61 of the LGPS regulations 2013 states that an administering authority must prepare, maintain and publish a written statement setting out its policy on communications with members and employers. The communications plan for 2024/25 details the communications activities within the scheme year and can be found in appendix 1.

2. Executive summary

The communications plan outlines our activities monthly for each stakeholder group. As well as sending out statutory communications planned newsletters, surveys, employer training and web updates it also highlights other key communications initiatives.

3. Communications plan 2024/2025

- 3.1 The communications plan outlines our activities for the year, monthly, for each of our stakeholders.
- 3.2 Q1 will mainly be focussed on the development of our new website. We're aiming to launch the website in Q2 which will tie in with our annual benefit communications and our employers' forum. We'll also use the forum to consult on our new administration strategy.
- 3.3 In Q3 we'll focus on embedding our new brand guidelines and making sure that as a service we're:
 - using plain language
 - writing inclusively
 - engaging our audience.
- 3.4 In Q4 our focus will be on launching the enhanced member self-service portal to increase member engagement. This is subject to some improvements being made to the service.

3.5 Our communications plan also highlights our intention to promote campaigns like:

- pensions awareness week
- pension attention campaign
- national pension tracing day

and to work with the LGA on initiatives like new starter engagement and midlife MOTs.

3.6 The plan also includes timings for:

- statutory communications
- cyclical newsletters
- surveys
- employer training.

4. Relevant Pension Fund objectives

- To promote the scheme as a valuable benefit.
- To deliver accessible communications to stakeholders.
- To give members up to date information about the scheme so they can make informed decisions about their benefits.
- To get regular feedback from all stakeholders to help us to shape our administration.

5. Risk management

5.1 We are required by legislation to prepare, maintain and publish a written statement setting out our policy on communications with members and employers.

5.2 The mitigated risks associated with this report has been captured in the Fund’s risk register as detailed below –

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Failure to administer the scheme in line with regulations and guidance.	Green

5.3 Our full risk register can be found on our [website](#).

6. Communication implications

Direct communications: The communications plan will be published on our website. The Committee will be updated on the website development and enhanced member self-service portal through the business plan.

7. Finance and resources implications

- 7.1 There are no direct finance and resourcing implications of the communications plan in general. Ongoing communication costs are picked up in the administration budget. Our new website and enhanced member self-service portal have been budgeted for within the business plan.
- 7.2 Our drive to increase electronic communications should save costs in the long term.

8. Legal implications

- 8.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

9. Consultation with key advisers

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

10. Alternative options considered

- 10.1 Not applicable.

11. Background papers

- 11.1 [Communications strategy](#).

12. Appendices

- 12.1 Appendix 1 Communications plan.

Checklist of key approvals

Has this report been cleared by Section 151 Officer? – 08/03/2024	Sarah Heywood/Michael Hudson
Has this report been cleared by Head of Pensions?	Mark Whitby – 14/02/2024
Has this report been cleared by Monitoring Officer?	Emma Duncan – 04/03/2024

Cambridgeshire Pension Fund

Communications plan 2024/25

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired & dependant members	Fund staff
APR	<ul style="list-style-type: none"> Member satisfaction survey 			<ul style="list-style-type: none"> Member satisfaction survey 	<ul style="list-style-type: none"> Payslip – online pension promotion Member satisfaction survey 	<ul style="list-style-type: none"> Website user testing
MAY	<ul style="list-style-type: none"> Member satisfaction survey Website user testing 	<ul style="list-style-type: none"> Employer training Employer newsletter Website user testing 	<ul style="list-style-type: none"> Website user testing 	<ul style="list-style-type: none"> Member satisfaction survey Website user testing 	<ul style="list-style-type: none"> Payslip – online pension promotion Member satisfaction survey Website user testing 	<ul style="list-style-type: none"> Website user testing
JUN	<ul style="list-style-type: none"> Member satisfaction survey 	<ul style="list-style-type: none"> Employer training 		<ul style="list-style-type: none"> Member satisfaction survey 	<ul style="list-style-type: none"> Member satisfaction survey Website user testing 	<ul style="list-style-type: none"> Staff newsletter Website user testing
JUL	<ul style="list-style-type: none"> Website launch Online pension promotion Member satisfaction survey 	<ul style="list-style-type: none"> Employer forum <ul style="list-style-type: none"> Admin strategy consultation Website launch Employer training Online pension promotion pack 	<ul style="list-style-type: none"> Website launch Online pension promotion 	<ul style="list-style-type: none"> Annual benefit statements Member newsletter <ul style="list-style-type: none"> Website launch Pensions dashboards Anti-fraud communication Online pension promotion Member satisfaction survey 	<ul style="list-style-type: none"> Member satisfaction survey 	<ul style="list-style-type: none"> Website launch
AUG	<ul style="list-style-type: none"> Annual benefit statements Member newsletter <ul style="list-style-type: none"> Website launch Pensions dashboards Anti-fraud communication Online pension promotion Member satisfaction survey 	<ul style="list-style-type: none"> Active annual benefit statement comms materials for employers 	<ul style="list-style-type: none"> Online pension promotion 	<ul style="list-style-type: none"> Member satisfaction survey 	<ul style="list-style-type: none"> Member satisfaction survey 	

Month	Active members	Scheme employers	Prospective members	Deferred members	Retired & dependant members	Fund staff
SEPT	<ul style="list-style-type: none"> • New website promotion • Pensions awareness week / pension attention campaign • Online pension promotion • Member satisfaction survey 	<ul style="list-style-type: none"> • Employer training • Employer newsletter • New website promotion • Pensions awareness week/ pension attention campaign 	<ul style="list-style-type: none"> • New website promotion • Pensions awareness campaign • Online pension promotion 	<ul style="list-style-type: none"> • New website promotion • Pensions awareness week / pension attention campaign • Online pension promotion • Member satisfaction survey 	<ul style="list-style-type: none"> • New website promotion • Member satisfaction survey 	<ul style="list-style-type: none"> • Staff newsletter • New website promotion • Embedding new brand guidelines
OCT	<ul style="list-style-type: none"> • National pension tracing day • Member satisfaction survey 	<ul style="list-style-type: none"> • Employer training • National pension tracing day 	<ul style="list-style-type: none"> • National pension tracing day 	<ul style="list-style-type: none"> • National pension tracing day • Member satisfaction survey 	<ul style="list-style-type: none"> • Member satisfaction survey 	<ul style="list-style-type: none"> • Embedding new brand guidelines
NOV	<ul style="list-style-type: none"> • Member satisfaction survey • New starter engagement 	<ul style="list-style-type: none"> • Employer training • New starter video/bitesize training • Pre-valuation comms 		<ul style="list-style-type: none"> • Member satisfaction survey 	<ul style="list-style-type: none"> • Member satisfaction survey 	<ul style="list-style-type: none"> • Embedding new brand guidelines
DEC	<ul style="list-style-type: none"> • Member satisfaction survey • Website feedback 	<ul style="list-style-type: none"> • Employer newsletter • Website feedback 	<ul style="list-style-type: none"> • Website feedback 	<ul style="list-style-type: none"> • Member satisfaction survey • Website feedback 	<ul style="list-style-type: none"> • Member satisfaction survey • Website feedback 	<ul style="list-style-type: none"> • Staff newsletter • Embedding new brand guidelines
JAN	<ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal 	<ul style="list-style-type: none"> • Employer training • Enhanced member self-service portal 	<ul style="list-style-type: none"> • Enhanced member self-service portal 	<ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal 	<ul style="list-style-type: none"> • Member satisfaction survey • Enhanced member self-service portal 	<ul style="list-style-type: none"> • Enhanced member self-service portal
FEB	<ul style="list-style-type: none"> • Member satisfaction survey 	<ul style="list-style-type: none"> • Employer training • Employer Forum <ul style="list-style-type: none"> ▪ Valuation launch 		<ul style="list-style-type: none"> • Member satisfaction survey 	<ul style="list-style-type: none"> • Member newsletter <ul style="list-style-type: none"> ▪ Website launch ▪ Pensions dashboards ▪ Anti-fraud communication ▪ Online pension promotion • Member satisfaction survey 	
MAR	<ul style="list-style-type: none"> • Member satisfaction survey • Midlife MOTs promotion 	<ul style="list-style-type: none"> • Employer newsletter <ul style="list-style-type: none"> ▪ Pensions dashboards ▪ New contribution rates • Midlife MOTs promotion 	<ul style="list-style-type: none"> • Midlife MOTs promotion 	<ul style="list-style-type: none"> • Member satisfaction survey • Midlife MOTs promotion 	<ul style="list-style-type: none"> • Payslip – online pension promotion • Member satisfaction survey 	<ul style="list-style-type: none"> • Staff newsletter

Cambridgeshire Pension Fund

Pension Fund Committee

28 March 2024

- Report by: Head of Pensions
- Subject: UK Stewardship Code 2020 Submission
- Purpose of the Report: To seek approval of a Stewardship Report to enable the Cambridgeshire Pension Fund to become a signatory of the UK Stewardship Code 2020, and to seek approval to submit the report to the Financial Reporting Council (FRC).
- Recommendations: The Pension Fund Committee:
- a) Approve the draft Stewardship Report (at Appendix A)
 - b) Approve the submission of a Stewardship Report to the Financial Reporting Council by the 31 May 2024 deadline
 - c) Request the Head of Pensions finalise the Stewardship Report in advance of the deadline in consultation with the Chair of the Committee
- Enquiries to: Ben Barlow, Investments & Fund Accounting Manager
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1 Executive summary

- 1.1 The Fund has produced a draft Stewardship Report (at Appendix A) to enable a submission to be made to the Financial Reporting Council (FRC) for the Fund to become a signatory to the UK Stewardship Code 2020 (“the Code”).
- 1.2 The Code requires institutional investors to be transparent about their investment processes, engage with investee companies and vote at shareholders' meetings.
- 1.3 Becoming a signatory to the Code aligns with the Fund’s Responsible Investment (RI) philosophy, as set out in its RI Policy, and is recognition of the

important role we have to play in effective engagement as a responsible asset owner.

2 Report background

- 2.1 The Fund has been working on its Stewardship Report, with the aim of making a submission deadline of May 2024.
- 2.2 A submission in respect of the UK Stewardship Code 2020 has been a planned activity for the Fund for several years. Consideration of a submission is a Q1 2024 activity within the Fund's Climate Action Plan.

3 The Code and Stewardship report

- 3.1 The Code is a voluntary code for asset managers (investment managers), asset owners, and service providers (such as proxy advisers, investment consultants, and data providers).
- 3.2 The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
- 3.3 Becoming a Code signatory would be a further signal of the importance that the Fund places on its responsible stewardship duties as an asset owner.
- 3.4 The Code comprises a set of 12 'apply and explain' Principles for asset managers and asset owners, and a separate set of six Principles for service providers.
- 3.5 To become a signatory to the Code, organisations must submit to the FRC a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months. The report may cover any 12-month period beginning after 1 January 2020. The FRC will assess the report and if it meets their reporting expectations, the fund will be listed as a signatory to the Code. Once listed, the fund must annually report to remain signatories.
- 3.6 The next deadline to apply to become a signatory is 31 May 2024 for asset owners. As such the submission is being brought to Committee in March, seeking feedback and approval, and will be subject to further review by advisors prior to this deadline.
- 3.7 Officers are seeking approval of the draft Stewardship Report, approval to submit the final Stewardship Report to the FRC, and approval to enable finalisation of the Stewardship Report in consultation with the Chair of the Pension Fund Committee.

4 Finance and Resources Implications

- 4.1 There are no direct resources or financial implications arising from this paper.

5 Risk Management

- 5.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below –

Risk	Residual risk rating
Failure to understand and monitor risk and compliance	Green
Those charged with governance are unable to fulfil their responsibilities effectively.	Green
Failure to administer the scheme in line with regulations and guidance.	Green
Failure to provide relevant information to the Pension Fund Committee/Local Pension Board to enable informed decision making.	Green

- 5.2 The Fund's full risk register can be found on the Fund's website at the following link: <https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

6 Communication Implications

- 6.1 The Fund will publish the Stewardship Report on its website. The Report will also be available on the FRC website.

7 Legal Implications

- 7.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

8 Consultation with key advisors

- 8.1 Not Applicable.

9 Alternative options considered

- 9.1 Not applicable.

10 Background Papers

- 10.1 Not applicable.

11 Appendices

11.1 Appendix A: Stewardship Code Submission

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? 08/03/2024

Has this report been cleared by Head of Pensions? 19/02/2024

Has this report been cleared by Monitoring Officer? 04/03/2024

**Cambridgeshire Pension Fund - UK Stewardship
Report for the year ending 31 March 2023.**

DRAFT



West
Northamptonshire
Council



Cambridgeshire
County Council

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Contents

Introduction.....	1
Principle 1 Purpose and governance.....	2
• 1.1 The Fund’s Purpose	
• 1.2 Overall Investment Strategy	
• 1.3 Primary Objective	
• 1.4 Contribution Rates	
• 1.5 Investment Beliefs	
• 1.6 Current Investment Strategy	
Principle 2 Purpose and governance.....	7
• 2.1 Signatories’ Governance	
• 2.2 The Fund’s Resources	
• 2.3 ACCESS Joint Committee	
• 2.4 ACCESS Pool	
• 2.5 Training and Incentives	
• 2.6 Advisors and Key Supplier Relationships	
Principle 3 Purpose and governance.....	20
• 3.1 Conflicts of Interest	
• 3.2 Governance Aims and Objectives	
• 3.3 COI Policy	
• 3.4 COI Management and Examples	
Principle 4 Purpose and governance.....	22
• 4.1 Market Risk	
• 4.2 Risk Management Policy	
• 4.3 Risk Register	
• 4.3 Climate Change Risks	
• 4.4 Carbon Reporting	
• 4.5 ACCESS – ESG and RI	
Principle 5 Purpose and governance.....	27
• 5.1 Policies and Strategies	
• 5.2 Review of Policies and Strategies	
• 5.3 Long-term Sustainability and RI	
• 5.4 Further Review of Policies and Processes	
• 5.5 Assurance	
• 5.6 Stewardship	



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Northamptonshire
Council



Cambridgeshire
County Council

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Principle 6 Investment approach.....	32
• 6.1 Beneficiary Overview	
• 6.2 Transparency and Accountability	
• 6.3 Annual Report and Statement of Accounts	
• 6.4 Other Sources of Information	
• 6.5 Freedom of Information	
• 6.6 ACCESS Information	
Principle 7 Investment approach.....	36
• 7.1 Environmental, Social and Governance	
• 7.2 Voting Rights	
• 7.3 ESG Reporting	
Principle 8 Investment approach.....	40
• 8.1 Monitoring Performance	
• 8.2 Dealing with Underperformance	
• 8.3 ACCESS Reporting	
Principle 9 Engagement.....	42
• 9.1 Engagement Approach	
• 9.2 Local Engagement	
• 9.3 LAPFF	
• 9.4 Long-term Stewardship	
• 9.5 Examples of Engagement	
Principle 10 Engagement.....	45
• 10.1 Collaborative Engagement	
• 10.2 CE Objectives and Reporting	
• 10.3 Voting and RI Guidelines	
• 10.4 CE Numbers	
Principle 11 Engagement.....	48
• 11.1 Assessing Performance	
• 11.2 LAPFF Influence and Engagement	
Principle 12 Exercising rights and responsibilities.....	50
• 12.1 Exercising Rights and Responsibilities	
• 12.2 ACCESS Sub-Fund Voting	
• 12.3 ESG Engagement	
Glossary	52



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Introduction

As Administering Authority to the Cambridgeshire Pension Fund (“the Fund”), Cambridgeshire County Council understands the importance of providing insight into our stewardship practices and investment strategy for the year ending 31st March 2023. This report aims to highlight our commitment to managing risk, generating investment returns, prioritising social and environmental responsibilities, and maintaining strong corporate governance practices.

The Fund recognises the benefits of a diversified investment portfolio and strives to ensure that its investments encompass a wide range of assets, carefully selected to mitigate risk and align with its agreed investment strategy and objectives.

This report aims to show how the Fund encourages its investment managers to engage with companies, exercise voting rights, and advocate for sustainable practices, promoting stewardship that seeks to align investments with members' interests and contribute to positive societal and environmental outcomes.

The report will also show how further engagement is undertaken through ACCESS, the Funds investment pool which engages with investment managers and reports back to all member authorities. ACCESS encourages investment managers to engage with companies to adopt best practice with environmental, social and governance issues at the forefront.

In terms of investing with a sense of responsibility towards society, as a starting point the Fund has set ambitious targets to reduce the carbon footprint of its equity investments. The Fund aims to achieve a 23% reduction in carbon footprint from a 2021 baseline by 2024, and a 57% reduction in carbon footprint by 2030, ultimately reaching net-zero emissions by 2050 or earlier. These targets, emphasise a commitment to combatting climate change and supporting a sustainable future. The Fund's Climate Action Plan sets out plans to decarbonise other asset classes.

The Fund also has a materially significant local investment portfolio, including a regional private equity fund providing a pool of patient capital for small and medium-sized entities in and around Cambridgeshire.

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for members leading to sustainable benefits for the economy, the environment and society.

1.1 The Fund is part of the Local Government Pension Scheme ("LGPS") and is administered by Cambridgeshire County Council ("the Administering Authority" and "CCC") in partnership with West Northamptonshire Council. The Fund aims to provide efficient and effective pension arrangements for all Fund stakeholders, including scheme members, beneficiaries, and scheme employers, administered in accordance with the requirements of LGPS and overriding legislation and guidance.

1.2 The Fund adopts a long-term perspective, focusing its investment strategy on the generation of sustainable returns on a risk adjusted basis. This helps its assets to grow while reflecting long-term future liabilities.

The following link will take you to the Cambridgeshire Pension Fund Key Documents which include the business plan outlining the Fund's strategic initiatives and key objectives. [Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/key-documents)

As at 31st March 2023, the date of the latest published Annual Report and Statement of Accounts, the Fund has £4.2bn of assets and over 97,000 scheme members, of which circa 28,000 are active members and circa 22,500 pensioner members. There were 198 active employers within the Fund.

1.3 The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement, and/or benefits on death before or after retirement for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee ("PFC") endeavours to ensure that in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is paid by each scheme employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement ("FSS") that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

1.4 The employer contribution rate is made up of two components:

1. A primary rate: which is the level sufficient to cover all new/future benefits. The primary rate is the estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses



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2. A secondary rate: is an adjustment to the primary rate, generally to reflect the costs associated with sufficiently funding benefits accrued up to the valuation date. Used to repair deficits. This may be expressed as a percentage of pay and/or monetary amount.

The primary rate at a whole Fund level is the payroll weighted average of the underlying individual employer primary rates, and the second

ary rate is the total of the underlying individual employer secondary rates.

Other significant factors occurring which affect the funding strategy of the Fund have been better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates. Secondary rates generally decreased following the latest triennial valuation, 31 March 2022, due to strong investment performance since the previous, 2019, valuation.

The investment strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth.

1.5 The Fund has agreed the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Fund also takes into account the covenant associated with its employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.

Asset classes that return over a reasonably long duration are suitable for this Fund.

The Fund has a policy of holding investment managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.

4. Due to their potential to generate returns above the growth of liabilities over the long-term and their indirect link to inflation, the Fund predominately hold equities as it is believed that this will help to ensure that contribution rates remain affordable for employers.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.

Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.

6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, which can be linked to inflation, as well as providing diversification benefits.



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8. Diversification across asset classes can help to mitigate against adverse market conditions, and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Fund favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment (“RI”) including Environmental, Social and Governance (“ESG”) are important factors for the Fund. This is particularly relevant in the context of the Paris Accord and the Fund’s net zero ambitions, and is increasingly important for seeking sustainable long-term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

The Fund’s investment beliefs serve as guiding principles that shape responsible stewardship practices.

These beliefs are instrumental in aligning stewardship efforts with the long-term goals and values of the Fund. They facilitate the integration of ESG factors into investment decisions, risk management, and active ownership strategies. They also play a crucial role in the selection of asset managers and investment partners. The Fund seeks managers who share these beliefs, ensuring that the chosen partners are aligned with the Fund’s commitment to responsible and sustainable investing.

To support such tactical investment decisions, the Fund’s retained investment consultant, Mercer, will provide an ESG rating for each investment manager, as well a main rating providing the prospect of outperformance.

Furthermore, the Fund’s investment beliefs are not static; they evolve over time in response to changing market dynamics, regulatory requirements, and shifting societal expectations. Stewardship practices should remain adaptable and flexible, capable of accommodating adjustments to both beliefs and strategies.

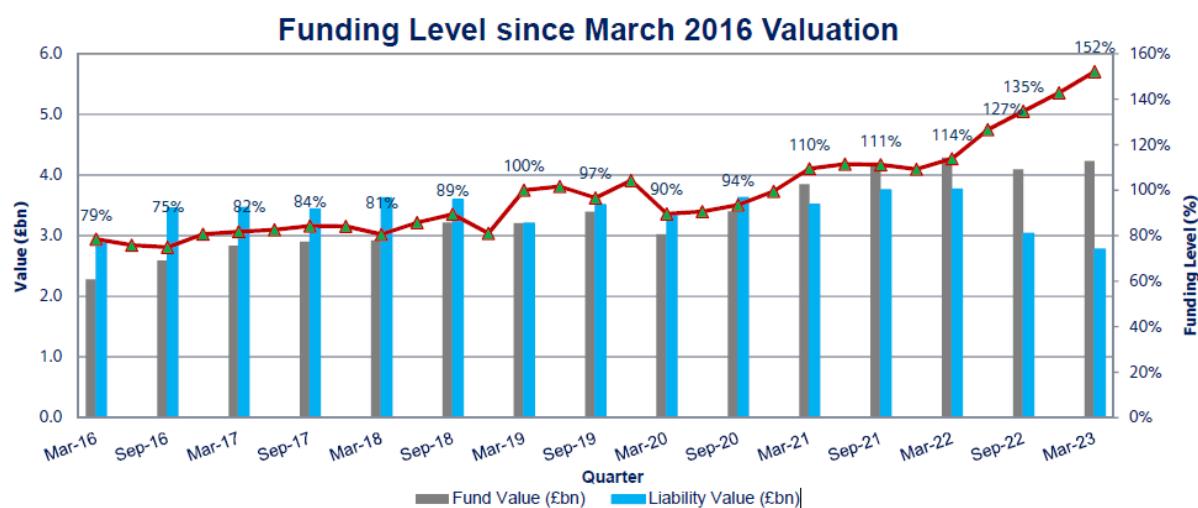
The RI values the Fund adopts demonstrate a commitment to promoting sustainable and responsible business practices and aligns the Fund with the values and preferences of its members (see Principle 6). By integrating ESG factors into its investment decision-making processes, the Fund can identify opportunities, manage risk, and promote positive social and environmental outcomes. The Fund feels this builds trust with stakeholders and contributes to a culture of responsible investing.

1.6 The Fund’s current investment strategy, reviewed and updated in the 2022/23 financial year, involves increasing investments in Fixed Income while reducing investments in Listed Equities. Importantly, the Fund is currently in a surplus position, so a major goal is to reduce risk while preserving and still potentially increasing returns.

The below chart shows the funding level and the Fund’s surplus position. For every £1 of liability (i.e. promised benefits payable to members), the Fund held £1.52 on 31st March 2023.



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Outlined below is the high-level Strategic Asset Allocation (“SAA”) that specifies acceptable ranges within each asset class, including a comparison to before the adjustments were made following the review of the investment strategy. The revised SAA was agreed by the PFC at its March 2023 meeting. This framework guides the Fund's investment decisions, ensuring alignment with its long-term goals and risk management principles.

Asset Class	Previous Target Allocation %	New Target Allocation %	Tolerances
Equities	55%	42.5%	+/-5%
Fixed Income	15%	25%	+/-5%
Alternatives	30%	32.5%	+/-5%
Total Target Allocation	100%	100%	

The tolerance ranges allow for short-term natural deviation from the target allocation due to the varying relative performance of each investment type. Exceeded tolerances will be reported in a quarterly performance report to the Investment Sub-Committee (“ISC”). Asset class allocations will be rebalanced periodically back to the target allocation.

The expected return of the Fund assuming the SAA is maintained is estimated at 4.9% per annum.

At the February 2022 ISC meeting, the Sub-Committee approved the Fund’s Climate Action Plan which sets out key milestones, actions, and dates to decarbonise the Fund’s portfolio, starting with the Equities asset

class. 20% of the Fund's equity investment is in passive funds, therefore the Fund's passive portfolio was considered a priority area to investigate opportunities for carbon reduction.

In May 2022, the ISC were provided with a deep dive review of climate aware passive equity options which included background and education on climate aware passive investing, and high-level options that the Fund could implement. The Fund's adviser research identified seven Fund options from five Investment Managers for consideration.

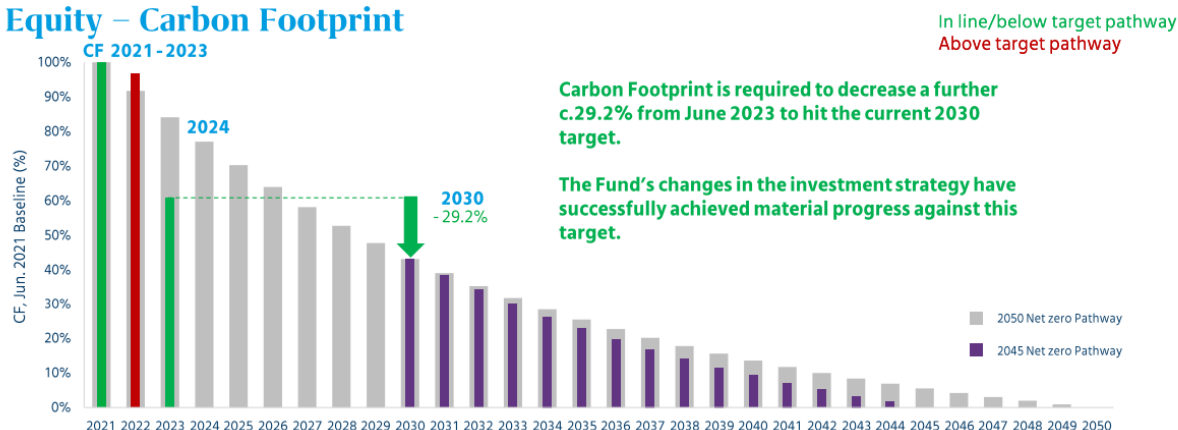
In September 2022, presentations from four Investment Managers covering six of the identified options were held with ISC members and the Fund's advisors to gain a better understanding of the options available.

A decision was made at the February 2023 ISC meeting to restructure the Fund's passively managed equities to a 70% allocation in a climate aware fund and a 30% allocation in a resource efficient (carbon, water, waste) fossil-free fund. The transition was completed in three tranches by June 2023. This was a big step towards meeting the Fund's first decarbonisation target with its Climate Action Plan.

The Fund's decarbonisation pathway for its equity portfolio and current progress is set out in the diagram below:

Decarbonisation Path – 2021 Baseline

Listed Equity – Carbon Footprint



Principle 2

Signatories' governance, resources and incentives support stewardship.

2.1 CCC has a Constitution which sets out how the Council operates, how decisions are made and what procedures are in place to ensure efficiency, transparency and accountability. Some processes are required by law, while others are a matter for the Council to decide.

Relevant sections of the CCC Constitution are referenced below. There are seven parts to the Constitution;

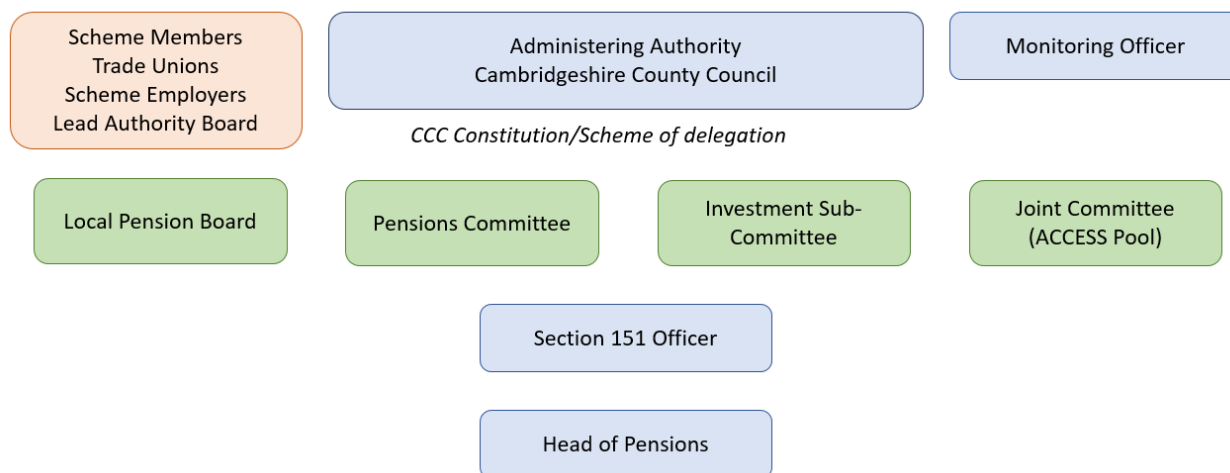
1. Summary and Explanation
2. Articles of the Constitution
3. Responsibility for Functions (subdivided into five parts, A to E)
4. Rules of Procedure
5. Codes and Protocols
6. Members' Allowances Scheme
7. Management Structure.

Further details can be found at the following webpage:

Council and committee meetings - Cambridgeshire County Council > Documents > Public Documents (cmis.uk.com)

Through the Constitution, CCC has delegated various functions in connection with the management, administration, and governance of the Fund to the PFC, ISC, Local Pension Board ("LPB"), ACCESS Joint

Committee (“AJC”) and senior Fund officers. The below diagram illustrates the structure of Fund governance.



The below paragraphs detail the functions delegated to each of the governance bodies:

Pension Fund Committee

The PFC is a Section 101 Committee under the Local Government Act 1972.

The PFC is composed of eleven members, with a minimum quorum requirement of five members for a meeting to be considered valid. The PFC convenes a minimum of five times per council year, usually in March, June, July, October, and December. The PFC's composition includes six representatives from the administering authority (CCC), two representatives from all other local authorities, police, and fire services, one representative from the employers in the scheme, one active scheme member, and one deferred or pensioner member. A full membership list can be found here: [Pension Fund Committee \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](#)

The PFC has the power to set the Fund's objectives and determine and maintain appropriate strategies, policies and procedures with ongoing monitoring in the following areas:

Funding Strategy	Ongoing monitoring and management of the liabilities including ensuring appropriate funding plans are in place for all employers in the Fund.
Triennial Valuation	Overseeing the triennial valuation and interim valuations and working with the actuary in determining the appropriate level of employer contributions for each employer.
Investment Strategy	To determine the Fund's investment objectives and to set and review the long term high level investment strategy to ensure these are aligned with



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	the Fund's specific liability profile and risk appetite and to oversee the delivery of the investment strategy by the AJC.
Administration Strategy	The administration of the Fund including collecting payments due, calculating and paying benefits, gathering from and providing information to scheme members and employers.
Communications Strategy	Determining the methods of communications with the various stakeholders including scheme members and employers.
Discretions	Determining how the various administering authority discretions are operated for the Fund.
Governance	The key governance arrangements for the Fund, including representation.
Risk Management Strategy	To include regular monitoring of the Fund's key risks and agreeing how they are managed and/or mitigated.

In addition to the above areas, the PFC also has authority to:

- approve and apply the policy on, and to take decisions relating to, employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- agree the terms and payment of bulk transfers into and out of the Fund in consultation with the Section 151 Officer.
- consider and agree business plans at least annually and monitor progress against them and to monitor compliance with the Myners Principles on an annual basis.
- develop and maintain a training policy for all PFC, ISC and LPB members and for all officers of the Fund, including:
 - determining the Fund's knowledge and skills framework;
 - identifying training requirements;
 - developing training plans; and
 - monitoring attendance at training events.
- select, appoint, monitor and where necessary terminate advisers to the Fund not solely relating to investment matters.
- agree the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

- consider and determine where necessary, alternative investment strategies for participating employers.
- oversee the work of the ISC and consider any matters put to them by the ISC.
- set up sub-committees and task and finish groups including jointly with other LGPS Administering Authorities.
- review and amend strategic investment policies on an appropriate regular basis, in consultation with the Section 151 Officer.
- manage any other strategic or key matters pertaining to the Fund not specifically listed above.
- produce an annual report for consideration by the Council.

In relation to pooled asset arrangements under the AJC:

- Determining the requirements of the Administering Authority in relation to the provision of services by ACCESS to enable it to execute its investment strategy effectively.
- Receiving and considering reports from the AJC in order to ensure that the Fund's investor rights and views are represented appropriately.

Ensuring arrangements are in place to identify and manage the risks and costs associated with investment pooling.

Investment Sub-Committee

The ISC is a sub-committee of the main PFC, and its seven members are pulled from the wider membership of the PFC. The ISC meets quarterly. The ISC has seven representatives. A full membership list can be found here: [Investment Sub Committee \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/investment-sub-committee)

The ISC has the authority to implement the Fund's investment strategy including setting benchmarks and targets for the investment pool operator and reviewing performance against those benchmarks.

The ISC additionally has a diverse set of authorities to support the effective management of the Fund:

- Authority to review and maintain the asset allocation of the Fund within parameters agreed with the PFC.
- Power to appoint and terminate investment managers to the Fund and to monitor the performance of investment managers leading to review and decisions on termination where necessary and where this is not undertaken by the AJC.
- The ISC is entrusted with the responsibility to appoint, monitor, and, if necessary, terminate external advisors and service providers focused on investment matters, for example, the Fund Custodian,



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Independent Investment Advisers, Investment Consultants and Investment Managers where this is not undertaken by the AJC.

- Authority to establish benchmarks and targets for the Fund's investment managers, along with the responsibility to monitor the inherent risks in the Fund's investment strategy concerning its funding level.
- Authority to monitor and review:
 - Legislative, financial and economic changes relating to investments and their potential impact on the Fund;
 - The investment management fees paid by the Fund and to implement any actions deemed necessary;
 - The transactions costs incurred by the Fund across its investment mandates and raise relevant issues and concerns with the investment providers as necessary;
 - The investment provider's adoption of socially responsible investment considerations, on an annual basis, including corporate governance matters and a review of compliance with the UK Stewardship Code.
- Authority to receive reports from investment providers.
- Authority to undertake any task as delegated by the PFC.

The Local Pension Board

The LPB plays a crucial role in overseeing and scrutinising the Fund's activities. The LPB was established on 1 April 2015, providing an additional layer of governance for the Fund.

The LPB comprises six members, with a minimum quorum of three members required for a meeting, provided that both the employer and member sides are represented. The LPB is scheduled to convene a minimum of four times per council year, usually in January, April, June, and November. The composition of the LPB includes three representatives from scheme employers (two councilor representatives determined by CCC and one representative from any other scheme employer), along with three scheme member representatives. A full membership list can be found here: [Local Pension Board \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/local-pension-board)

The LPB is non decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the Fund.



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2.2 Chief Finance Officer (Section 151 Officer)

The Section 151 Officer has a wide-ranging set of delegated responsibilities, including with regards to the management and administration of the Fund. These include:

- Ensuring Lawfulness and Financial Prudence of Decision Making. After consulting with the Head of Paid Service and the Monitoring Officer, the Section 151 Officer will report to the Council or its committees and to the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.
- Administration of Financial Affairs. The Section 151 Officer shall have responsibility for the administration of the financial affairs of the Council.
- Contributing to Corporate Management. The Section 151 Officer will contribute to the corporate management of the Council, in particular through the provision of professional financial advice.
- Providing Advice. In consultation with the Monitoring Officer, the Section 151 Officer will provide advice on the scope of powers and authority to take decisions regarding financial matters, financial maladministration, financial impropriety, probity and Budget and Policy Framework issues to all councillors and will support and advise councillors and officers in their respective roles.

Give Financial Information. The Section 151 Officer will provide financial information to the media, members of the public and the community.

Head of Pensions

The Head of Pensions assumes a pivotal role in coordinating and executing fund-related functions and is supported by the following teams:

- Operations
- Employers & Communications
- Systems & Projects
- Investments & Accounting
- Governance & Regulations

This hierarchical structure ensures a clear and accountable chain of command within the Fund's stewardship, governance, and operational framework.

Specific responsibilities may be delegated by the PFC to the Head of Pensions or other senior Fund Officers, for example through the Fund's Administering Authority Discretions.

The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions (29 years of experience)

Ben Barlow – Investments and Fund Accounting Manager (15 years of experience)

Joanne Kent – Systems and Projects Manager (25 years of experience)



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Akhtar Pepper – Operations Manager (13 years of experience)

Cory Blose – Employer Services and Communications Manager (14 years of experience)

Michelle Oakensen – Governance and Regulations Manager (19 years of experience)

2.3 ACCESS Joint Committee

The AJC is a Section 102 Joint Committee under the Local Government Act 1972. Its membership consists of a representative of each of the partner authorities in ACCESS, generally the Chair (or alternative locally agreed representative) of each Section 101 Committee (or equivalent). The AJC meets quarterly.

The AJC exercises functions delegated by the Council including:

- The procurement, appointment and management of the operator for assets pooled under the joint arrangement;
- The appointment of professional advisors as required for the effective management of asset pools pooled under the joint arrangement;
- Functions related to the management of pooled assets;
- Functions concerning pool aligned assets; and
- Functions relating to the development of the annual business plan and budget relating to the management of assets pooled under the joint arrangement.

In addition to the above functions as stipulated in the Constitution, the AJC also has:

- Authority to decide, in consultation with the PFC, the specification of services and functions that the operator will be required to deliver, including the sub-funds and classes of investments required to enable the Council to execute its investment strategy.
- Authority to agree the method and process for the procurement and selection of an operator.
- Responsibility for reviewing the performance of the operator and making arrangements to ensure that the Committee is provided with regular and sufficient reports from the Officer Working Group (“OWG”) to enable it to do so including but not limited to:
 - The performance of the operator against its contractual requirements and any other performance measures such as any Service Level Agreements (SLA) and key performance indicators (KPIs) and OWG recommendations on any remedial action
 - Sub-fund investment performance
 - Investment and operational costs
 - Performance against the strategic business plan agreed by Councils
- Responsibility for making decisions on the termination or extension of the operator contract.
- Authority to determine any other action to be taken to manage the operator contract including the giving of any instruction or the making of any recommendation to the operator including, but not



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restricted to, recommendations on investment managers (within any regulatory constraints that may apply).

- Authority to appoint such professional advisors on such terms as the committee sees fit. Any procurement of advisors must comply with the Constitution of the Host Authority.
- Functions in relation to management of Pool Assets, including making recommendations to the Council on the strategic plan for the transition of assets that are to be pooled.
- Functions in relation to pool aligned assets, including reporting to the Council's about pool aligned assets (including proposals concerning the migration of investments –such as passive investments via life fund policies – to become Pool Aligned Assets).
- Authority and duties related to business planning and budgeting of joint arrangements, including:
 - Reporting to the Council (through the PFC) about the annual strategic business plan for the Pool;
 - Determination of the budget necessary to implement that plan and meet the expenses of undertaking the specified functions;
 - Responsibility for reviewing the structure of the pooled arrangements and making recommendations to the Council about:
 - The future of the pool
 - Any changes to the inter authority agreement; and
 - The merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the council party to the inter authority agreement.
- Responsibility for reviewing the pool at least eighteen months prior to the expiry of each operator contract.

2.4 ACCESS Pool

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pooling in response to the Government's LGPS reform agenda. The main aim is to encourage LGPS funds to work together to form asset pools to reduce costs whilst maintaining investment performance. As at 31st March 2023 ACCESS has £34bn of pooled assets, serving 3,500 employers, 1.2m members and 340,000 pensioners.

ACCESS is comprised of eleven authorities across central, eastern and southern England; Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

ACCESS has been established to enable ACCESS authorities to meet the Government's reform agenda whilst, importantly, enabling them to continue to meet their strategic investment needs through the pool.

The roles and decision-making relationship between the eleven funds are informed by an Inter Authority Agreement. The ACCESS pool is governed by the AJC comprising the Chair, or other nominated



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representative, of the eleven constituent funds. The AJC have appointed Waystone (formerly Link Fund Solutions) as operator of the pool and the ACCESS Authorised Contractual Scheme (“ACS”).

Apex have been appointed by the Pool as the Alternative Asset Consultant to assist with the onboarding of the Alternatives asset class to the pool. This involves understanding the strategic investment requirements of the eleven partner funds, then assessing investment opportunities to best meet those; this will include identifying appropriate opportunities, conducting due diligence, and giving the shortlisted investment managers ratings based on a pre-agreed asset-related scoring index.

The ACCESS Pool recently appointed CBRE Investment Management to control its UK and Global Property mandates. This was an important step, adding another asset class as an available pooled vehicle. Work continues to fully transition the Fund’s current property investments to CBRE.

As at 31 March 2023, the Cambridgeshire Fund had invested £1,687.8m in sub funds with the ACCESS ACS and £884.7m in the UBS passive arrangement resulting in £2,572.5m under pool management representing 61.0% of the Fund’s assets. As such, the ACCESS relationship is critical, and increasingly so, when considering how stewardship activities in connection with the Fund’s investments are supported and reported.

The ACCESS structure, including its relationship to ACCESS authorities, is set out in the diagram below.



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The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC, OWG and other officer groups.

The ACCESS pool has established RI guidelines that align with all member Authorities. The RI guidelines were developed, in consultation with partner authorities, around 5 key pillars: Governance, Process, Implementation, Stewardship and Monitoring and Reporting. Individually and collectively the Councils that make up ACCESS believe that investments made on behalf of scheme members should be sustainable. ACCESS believes making long-term sustainable investments, whilst integrating ESG risk considerations into the investment process, promotes good governance and stewardship.

ACCESS has appointed, in November 2023, Pension & Investment Research Consultants Ltd (PIRC) as its external ESG and RI advisor to implement and refine the Pool's RI guidelines. PIRC will use the ACCESS RI guidelines as the starting point to assist in the delivery of a universal reporting framework, including for stewardship activities, such as voting and engagement, and climate-related financial reporting.

The Fund is aware of its responsibility to generate sustainable benefits for its members, the economy, the environment, and society. This involves ensuring fund managers and consultants engage with companies or projects that the Fund invests in, to address risks and maximise opportunities. The Fund regularly reports to the ISC on these engagements, as well as on the exercise of voting rights, recognising the influence that the Fund has as a shareholder to promote good governance and accountability.

Voting in connection with assets held within the ACCESS Pool should be undertaken in accordance with a set of Voting Guidelines agreed by all ACCESS authorities. Both the Fund and ACCESS are members of the Local Authority Pension Fund Forum (LAPFF), which provides collaborative stewardship activities on behalf of the Fund and Pool. These activities are also reported to the ISC through its regular stewardship reporting.

2.5 Training and Incentives

The Fund's Training Strategy aids members of the PFC and LPB, and Fund Officers, in performing and developing in their roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. LGPS funds are expected to follow the Chartered Institute of Public Finance Accounting (CIPFA) Knowledge and Skills Framework.

The full training strategy can be found in the Key Documents section of the Fund's website - [Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](#)

PFC members are required to complete The Hymans Robertson LGPS Online Learning Academy (LOLA) which is designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and is designed to supplement training plans. The learning consists of a series of short video presentations with supplemental learning materials and knowledge tests. The training is delivered in an efficient and engaging way and members can access it when convenient. The training program encompasses CIPFA framework topics and addresses contemporary issues relevant to the LGPS. Successful completion of the modules and participation in the Pensions Regulator e-learning program are mandatory components of the Training Strategy.

In addition to the compulsory training outlined above, the Fund strongly encourages the following:



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- Participation in subject specific training organised by the Fund, often related to key decisions.
- Self-improvement and becoming familiar with pertinent regulations and documents.
- Attendance at relevant courses, seminars, and external events.
- Engagement in internally developed training days and pre/post meeting sessions.
- Collaborative training opportunities with other Funds or Asset Pools.
- Keeping up-to-date through regular updates from officers and advisers.

Fund Officers within the Pensions Service, under the Head of Pensions, are employed by West Northamptonshire Council (“WNC”). WNC has a comprehensive learning and development policy designed to ensure that team members have the tools and knowledge needed in order for them to excel in their roles and contribute to the organisation's success.

One of the key aspects of the learning and development policy is the requirement for all officers and employees, upon joining the team to participate in mandatory training sessions focused on equality in the workplace. A diverse and inclusive workplace enriches the organisation and enhances its ability to serve its stakeholders effectively.

Another important component is mandatory cyber training for officers and individuals sitting on the Fund’s governance bodies; this supports the Fund’s Cyber Action Plan.

WNC’s commitment to fostering professional growth extends to its performance appraisal framework. “Valuing Individuals Performance (VIP) Conversations” are conducted monthly, providing the Fund’s administration team members with timely feedback on their performance. VIP Conversations serve as an essential mechanism for goal-setting, performance improvement, and professional development, ensuring that the Fund’s officers have the support they need to reach their full potential.

Officers are actively encouraged to gain professional qualifications and the Fund also reimburses professional membership or subscription fees. They also offer a generous annual leave entitlement; incremental salary increases and flexible working arrangements to support employee’s work/life balance.

2.6 Advisors and key supplier relationships

The Fund has also engaged a team of experienced advisors and suppliers, all of whom provide significant specialist expertise to support the Fund’s management and administration. These third parties are specialists in their respective fields and provide valuable insights, challenge, recommendations, and strategic advice to help the Fund navigate the complex pensions landscape.

Northern Trust

The Fund benefits from the expertise and support of Northern Trust (“the Custodian”) who is entrusted with the safekeeping and administration of assets. They play a crucial role in ensuring the security and efficient management of the Fund’s investment portfolio. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment



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Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.
Mercer
As the Fund's Investment Consultant, Mercer is contracted to provide investment advice and expertise to help the fund to make informed investment decisions, optimise its portfolio, and achieve its financial objectives; this is "proper advice" in the context of the LGPS Investment Regulations 2016. They advise on asset allocation, manager selection and managing risks. Mercer works with Officers, conducting research to provide a range of background papers and presenting performance analysis and diversification proposals to the Fund's committees.
ACCESS Support Unit (ASU)
The ACCESS Support Unit (ASU) is the central unit providing support to the ACCESS pool. The ASU has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC, other ACCESS governance bodies, and the ACCESS authorities. The Director of the ASU manages the ACCESS programme of activity, and therefore plays a critical role in ensuring ACCESS meets the strategic investment needs of the Fund.
Fund Actuary – Hymans Robertson
The Actuary advises on the assets and liabilities of the Fund. They conduct a triennial valuation for the purpose of setting employer contribution rates, with the aim of ensuring that future pension payments and benefits are met.
Governance and Benefits Consultant - Aon
To provide advice and support to the Fund in any aspect of delivering the LGPS that does not fall under an actuarial or investment remit we have procured a team of experienced advisors. These advisors help to shape the direction and delivery of the Funds aims and objectives ensuring regulatory compliance and best practice across all areas of benefits and governance.
Legal – Squire Patton Boggs
The legal adviser provides advice on general legal queries, benefits administration, employer bodies, governance, and investments.
Independent Advisor - Sam Gervaise Jones
The Fund's Independent Adviser (IA) is contracted to offer impartial investment advice, aiding the Fund's investment decisions. The IA collaborates with Officers as needed to effectively support the governance framework of the Fund.

Through the collaborative efforts of our custodian, advisors, and the ASU, the Fund has been able to ensure the long-term sustainability and prosperity of the Fund, safeguarding the financial future of scheme members.



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Principle 3

Signatories manage conflicts of interest to put the best interests of clients and members first.

3.1 In the LGPS environment, there is the potential for conflicts of interest to arise. This reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further to this, any of those persons may have an individual personal, business, or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds e.g., an investment consultancy advisor may generate fee income for an investment manager search should they recommend changes to the incumbent manager(s).

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme members and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. The Good Governance Review¹ recommended that each fund should have a fund-wide published conflicts of interest policy. This recommendation is still being considered by the Department for Levelling Up, Housing and Communities (DLUHC).

In the meantime, CCC has already put in place such a Conflicts of Interest (“COI”) policy, recognising it is good practice to document how conflicts or potential conflicts are managed in relation to Fund matters. The policy was approved by the PFC in December 2022.

3.2 Aims and Objectives

The Fund’s objectives in relation to governance are:

- to 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
- to ensure that 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 challenging environment
- to 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

¹ Phase 3 report published February 2021
https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf and is being considered by DLUHC.



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- to continually monitor and measure clearly articulated objectives through business planning
- to continually monitor and manage risk, ensuring the relevant stakeholders can mitigate risk where appropriate.

3.3 The identification and management of potential and actual COI is integral to us achieving these governance objectives.

The purpose of the COI Policy agreed in December 2022 is:

- to ensure that all actual and potential conflicts of interest are managed appropriately, through a robust process;
- to ensure all individuals to whom the policy applies have appropriate information for making an informed decision on whether there is a potential or actual conflict of interest.

Further details of the Fund's COI policy can be found at:

[Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS](#)

3.4 To ensure the highest standards of integrity and transparency, the Fund employs a rigorous approach to managing COI in connection with management and administration of the Fund. In the published Statement of Accounts, the Fund provides a clear and comprehensive overview of financial transactions and disclosures to identify any potential conflicts. Members of the PFC and LPB are required to make declarations of interests to highlight any personal or financial relationships that could influence decision-making. This practice ensures that conflicts are promptly recognised and appropriately addressed in the decision-making process. Similarly, during officer recruitment, declarations of interest are required to assess any potential conflicts that might affect the hiring process. This step guarantees that all appointments are made impartially and without favouritism. The Fund also seeks legal advice from independent and qualified legal experts to ensure an objective assessment of any conflict situations that may arise. This external perspective enhances the effectiveness of the Fund's conflict management strategy.

The Fund encourages investment managers to provide examples of past conflicts and resolutions, demonstrating their proactive approach to addressing such issues.

A redacted example of a COI from an investment manager is detailed below;

In 2022, Company A sought shareholders' approval for the election of a director who was also an investment manager employee. The vote was referred to an independent voting provider to avoid the conflict, i.e., supporting the election of the Director because the Director was an employee. This demonstrates our existing processes on Conflict of Interest. This Conflict was included in Conflict summaries that are presented to the Proxy Committee on a quarterly basis to ensure adequate oversight.

This engagement aligns with the Fund's commitment to diligent stewardship and ensures that investments are managed with the utmost integrity and in the best interests of members.



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Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

4.1 The Fund faces market risk primarily through its investments in equities, with the extent of this risk determined by market conditions, expectations of future price and yield movements, and its asset allocation. The Fund's risk management strategy aims to identify, manage, and control market risk exposure within acceptable boundaries while optimising returns relative to the risk involved.

To address excessive volatility in market risk, the Fund employs diversification strategies across geographic regions, industry sectors, and individual securities within its portfolio. The Fund and its investment advisors actively monitor market conditions and conduct benchmark analyses to mitigate this risk effectively.

4.2 The Fund's Risk Management Policy was first approved by the PFC on 24 March 2016. The Risk Strategy details the Fund's approach to managing risk including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

The policy sets out its objectives in relation to understanding and monitoring risk, the Fund aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers, and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.



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To assist in achieving these objectives the Fund will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to produce a risk register which should be reviewed regularly.

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. Once risks have been identified the Fund assesses the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are linked and managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the PFC and the LPB regularly. New risks are therefore identified promptly, and current risks are monitored on a regular basis, with risk ratings revised where necessary.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy. Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

4.3 The Fund recognises the systemic risk associated with climate change as well as the Administering Authority's targets in this regard and the views and aspirations of other scheme employers and scheme members. To manage this systemic risk and to align with its support of the Paris Agreement and a "just transition," the Fund commits that its investment portfolio will be net carbon neutral by 2050, in line with the UK Government's target.

The Fund is assessing the implications of reporting fully in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") framework across the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets. Whilst awaiting Government guidance for the Local Government Pension Scheme on this area, the Fund has reported, for a number of years, in alignment with the four pillars in its Annual Report and Statement of Accounts; effectively this is a "TCFD-lite" disclosure.

The Fund has annually, since 2021, commissioned an assessment of the systemic risk posed by climate change on an ongoing basis by working with Fund advisers to produce an Analytics for Climate Transition (ACT) Report. This ACT analysis helps the Fund plan for meeting its 2050 net zero target and provides carbon

metrics evidencing progress. These metrics are published within the TCFD-lite disclosure mentioned above and on the Fund's carbon dashboard, publicly available on the Fund's website.

The Fund also undertook climate change scenario analysis in 2021 to understand the impact on the Fund's investments of 2°C, 3°C and 4°C warming scenarios. It is expected to repeat this analysis in alignment with the triennial valuation process going forward. Key findings of this 2021 analysis included:

- investing for a 2°C scenario is both an imperative and an opportunity
- the Fund should prioritise asset classes that capture low carbon transition opportunities

The Fund has acknowledged the risk of climate change in its Risk Register: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

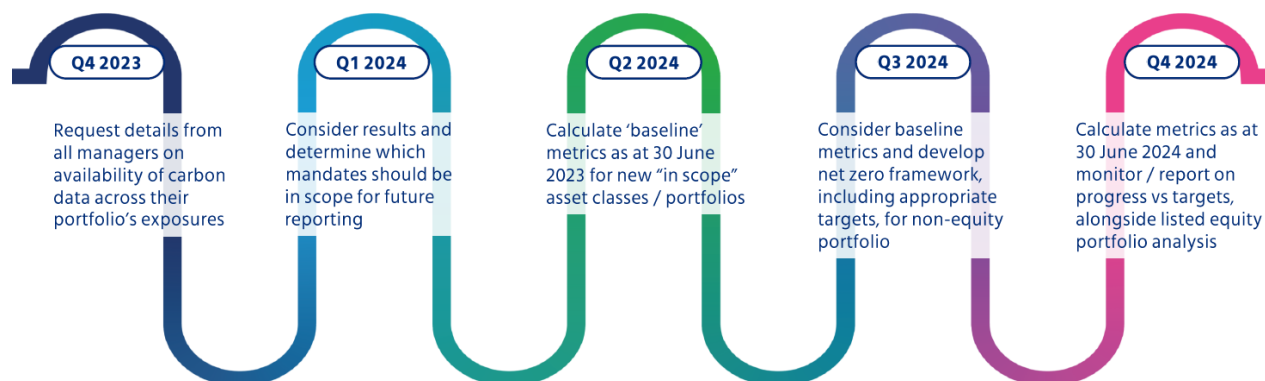
The risks to the value of the Fund's investments arising from climate change are exposures to industries or companies that are valued based on business models that may be threatened by climate change, and/or based upon reserves of assets that may never be realised due to changes in technology, markets and societal habits arising from climate change ("stranded assets"). The incidence and timing of changes in value need to be analysed further to understand the risks to the Fund. Conversely there may be opportunities to invest in new industries, technologies or funds that assist in mitigating the speed of climate change.

The Fund believes that climate change presents risks over the short, medium and long-term and that the Fund should better understand and mitigate these where possible. Investment action is an important area for the Fund to further develop its approach, including collaborative engagement opportunities. The Fund is a member of the ACCESS Pool. The Fund believes in working collaboratively with ACCESS to set clear expectations for its investment managers and advisors on how ESG considerations are incorporated into investment activities. ACCESS should offer funds to investors that integrate ESG considerations into their investment process and develop a consistent policy approach to stewardship and climate change. The Fund's investment managers must actively develop and implement strategies that incorporate all financial factors, including ESG considerations. These factors should be integrated into the decision-making process for Fund investments and continuously monitored throughout.

4.4 The Fund's focus to date for carbon reporting has been listed equity. The Committee has agreed and begun working on a roadmap for carbon reporting beyond listed equities, to support the Fund in managing this systemic risk, as shown in the diagram below.



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The Fund recognises the significance of fostering engagement between ACCESS and investment managers to ensure effective implementation and assurance of the Fund's policy commitments in this domain.

The PFC will ensure that appropriate reporting is available in order that progress can be monitored across pooled, pool-aligned, and non-pooled assets.

4.5 The Head of Pensions for the Fund chairs the ACCESS ESG/RI sub-group. Each member authority agrees that investments should be sustainable with ESG integrated into investment decision-making at all levels. ACCESS RI guidelines were agreed which include such ESG integration. The RI guidelines also set explicit expectations for investment managers and an overarching policy to incorporate the Pool's shared RI beliefs.

The ISC is presented with a stewardship report containing information on ACCESS pool fund managers' voting and engagement activities on a quarterly basis. This outlines the details of voting decisions and categorises engagement initiatives undertaken by the fund managers under the headings of Environmental, Social and Governance. These regular updates allow the PFC to monitor the effectiveness of pool fund managers in promoting responsible corporate governance and sustainable business practices, enabling risks, including the systemic risk of climate change, to be better managed.

The Fund uses a collaborative approach to enhance the value and sustainability of our investments. We actively engage with influential bodies like the Local Authority Pension Fund Forum (LAPFF) to foster knowledge-sharing, best practices, and collective engagement with companies and policymakers.

Our managers exercise voting rights on our behalf diligently and responsibly, aligning our votes with our principles and long-term objectives. ACCESS, as stated under Principle 2, has agreed a set of Voting Guidelines to protect and enhance the value of investments by promoting good practice in the corporate governance and management of listed companies by means of influence and engagement.

The areas covered by the Voting Guidelines are:

- Report & Accounts
- Audit-related Matters
- Directors & Remuneration
- Shareholder Rights
- Environmental Issues



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The Fund's influence is therefore utilised to advocate for good corporate governance and sustainable business practices. The size of the ACCESS pool allows the Fund to achieve greater scale and efficiency in its investments and have a more significant voice when engaging. As mentioned above, PIRC have recently been appointed as the Pool's RI reporting partner to help develop and refine the existing guidelines to accommodate best practice and to align them with the new ACCESS RI Guidelines.

UBS, the ACCESS pool's passive manager, is not subject to the ACCESS Voting Guidelines as it sits outside the ACS structure but is still under pool governance. It exercises a high-quality programme of stewardship and engagement on our behalf, with a commitment to responsible investing in alignment with the Fund's values and investment philosophy.

Through these collaborative efforts, the Fund managers aim to actively participate in engagements with companies to promote sustainability, ESG integration, and long-term value creation for members.

Officers regularly meet with Investment Managers across asset classes relating to our fund for updates on their philosophy, performance and to challenge on various ESG matters such as carbon output, net zero aspirations, and biodiversity. This is done to better understand our possible investments, but also officers hope to make clear the expectations of the Fund to any prospective investment partners.

ACCESS also has the Investment User Group (IUG) to conduct similar meetings. The IUG meets at least twice on an annual basis or if a need arises. They receive updates from incumbent managers on fund performance, engagements, and portfolio holdings.

Principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

5.1 The Fund's policies, strategies, statements, and governance arrangements are available to view on the Fund's website at

www.pensions.westnorthants.gov.uk.

All policies, strategies, and statements are scheduled for a formal review at least every three years. However, in practice, they undergo regular scrutiny to align with broader market and regulatory changes and to verify that the Fund's policies remain suitable for their intended purposes.

5.2 Policies and strategies are reviewed by the PFC on a three-year cycle (unless stated otherwise) to ensure they remain relevant and fit of purpose.

Officers review all policies and strategies on an annual basis to ensure they remain appropriate and any non-material amendments are reported to both the PFC and LPB via the Governance and Compliance Report. If there are any material changes required for circumstances such as meeting a statutory obligation, to reflect process changes or following regulatory updates then PFC approval is required before the three-year formal review point. All PFC policy and strategy reviews are also presented to the LPB in either a pre or post scrutiny capacity for best practice and enhanced governance oversight.

For some policies and strategies, such as the administration strategy, consultation with stakeholders is undertaken to ensure a transparent approach. Any feedback is addressed as part of the process and changes are applied if deemed necessary.

The following table shows all of the Fund strategies and policies, and shows which were reviewed and updated accordingly in 2022-23:

Policy/Strategy	Updated in 2023	Review type
Annual Report and Statement of Accounts	ü	Committee (July 23)
Administering Authority Discretions	ü	Officer (changes reported via Governance & Compliance Report June 23)
Administration Strategy		
Admission Bodies, Scheme Employers and Bulk Transfer Policy		



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Annual Business Plan and Medium-Term Strategy	ü	Committee (March 23)
Anti-Fraud and Corruption Policy	ü	Officer (changes reported via Governance & Compliance Report June 23)
Cash Management Strategy	ü	Committee (June 23)
Cessations Policy		
Climate Action Plan	ü	Officer (via the Business Plan update reports in Oct & Dec 23)
Communications Plan	ü	Committee (March 23)
Communications Strategy	ü	Committee (March 23)
Conflicts of Interest Policy		
Cyber Strategy – not published	ü	Officer (changes reported via Governance & Compliance Report Dec 23)
Data Improvement Policy	ü	Officer (changes reported via Governance & Compliance Report Dec 23)
Data Improvement Plan	ü	Committee (June 23)
Data Retention Policy	ü	Introduced December 2023
Employer Contribution Rates Policy	ü	Committee (July 23)
Funding Strategy Statement		
Governance Policy and Compliance Statement	ü	Officer (changes reported via Governance & Compliance Report Oct 23)
Investment Strategy Statement	ü	Officer (changes reported via Governance & Compliance Report Oct 23)
Overpayment of Pension Entitlement Policy	ü	Committee (March 23)
Payment of Employee and Employer Pension Contributions Policy		
Reporting Breaches of the Law to the Pensions Regulator		
Risk Register	ü	Committee (June & Dec 23)
Risk Strategy		
Training Strategy	ü	Committee (July 23)

Our approach to managing risks is detailed in our Risk Strategy and risks are managed through the Fund risk register. The risk register, including any changes to the internal controls, is reviewed on a quarterly basis by the LPB and on a biannual basis by the PFC. The PFC will be notified ahead of the next scheduled meeting where a risk has changed score significantly or a new major risk has been added. Risks are



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constantly monitored by Fund Officers. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

5.3 Members of the PFC have a fiduciary duty to act in the best interests of the Fund's scheme members and beneficiaries in all financial and non-financial decisions. With respect to the Fund's investments, to do this there is recognition of the importance of generating sustainable long-term investment returns. This involves not only an appraisal of financial factors, but also takes into account non-financial factors such as ESG issues, including notably, climate change, which may be financially material to the Fund's investments.

There is a growing urgency and continual regulatory development regarding long-term sustainability issues, such as The Climate Change Act 2008 that legally binds the UK to bring all greenhouse gas emission to net-zero by 2050, and the comprehensive 'apply and explain' requirements for asset owners set out in the UK Stewardship Code 2020. Therefore, it is imperative that ESG and stewardship (or active ownership) considerations are integrated throughout investment processes and that they are considered as part of funding and investment strategy setting. A stewardship update is provided to the ISC quarterly to provide information on company engagement and voting by investment managers.

RI is the integration of ESG issues into investment processes and stewardship practices in the belief this can positively impact financial performance over the long-term and will serve the best interests of the Fund's members.

The Fund is committed to embedding RI into all aspects of the investment decision-making process and has adopted a set of RI Beliefs.

The RI Policy is part of the Fund's Investment Strategy Statement (ISS) and can be found at the link below.

[Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](https://www.westnorthants.gov.uk/key-documents/coccc-cambridgeshire-and-northamptonshire-lgps)

5.4 Several key drivers can prompt the Fund to review its policies, processes, and activities. These drivers are essential to ensure the Fund's effectiveness, compliance, and alignment with changing circumstances. Regulatory changes have a direct and immediate impact on the Fund's operations and compliance requirements. Adapting to new regulations is essential to avoid legal issues and ensure the Fund's continued operation within the boundaries set by the governing authorities. Compliance with regulations helps protect members' interests and maintain public trust in the Fund's management.

Investment Performance is a critical driver as it directly affects the Fund's ability to meet its financial obligations and provide benefits to its members. A well-performing investment portfolio is essential for generating returns that can support the Fund's liabilities and sustain its long-term viability. Regularly reviewing and optimising investment strategies is vital to achieving financial goals.

Effective risk management is fundamental for the Fund to safeguard its assets and manage potential liabilities effectively. The Fund faces market risks, longevity risks, and operational risks. Implementing robust risk management practices ensures that the Fund can weather uncertainties and adverse events, protecting the interests of members and the overall financial health of the Fund.

5.5 Assurance ensures the integrity, reliability, and effectiveness of processes within a Pension Fund. It involves independent assessments and evaluations conducted by qualified professionals to provide



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confidence and validation that the Fund's processes are functioning as intended and in compliance with relevant standards, regulations, and internal policies. Assurance provides an independent and objective review of the Fund's processes, ensuring they are designed and implemented appropriately. This impartial assessment reduces the risk of bias and provides members with confidence in the integrity of the processes.

Risk identification and mitigation assurance helps identify potential risks and weaknesses in the Fund's processes. Early detection of vulnerabilities allows for prompt actions to mitigate risks, protecting the Fund and its members from adverse impacts.

Assurance verifies compliance with regulatory requirements and internal policies. Ensuring adherence to these standards maintains the Fund's legal and governance obligations and builds trust among stakeholders.

The Fund has several layers of assurance:

- The **PFC** oversees the Fund's overall governance, strategy, and risk management. The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the PFC.
- Working closely with the PC, the **ISC** focuses specifically on investment-related decisions, ensuring alignment with the fund's objectives and risk tolerance.
- The **independent adviser** is contracted to provide impartial investment advice, assisting in the Fund's investment decisions. The IA collaborates with Officers as needed to effectively support the Governance framework of the Fund.
- The **external auditor** provides an additional layer of assurance by assessing the financial statements and annual report. At year end all Investment Managers, including Waystone are required to provide Service Organisation Control Reports which are made available to external audit.
- The objective of an **internal audit** is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to the PFC and the LPB. Internal audit awarded the Fund substantial assurance following its testing within 2022/2023.

5.6 The Fund should provide a clear and comprehensive account of its stewardship activities, including investment strategies, voting practices, engagement efforts with companies, and how it addresses ESG considerations. The reporting should be detailed enough to give members a complete view of the Fund's actions.

The Fund aims to ensure that stewardship reporting is consistent and regular. Timely reporting is crucial to keep members informed about the Fund's ongoing efforts and recent developments. The Fund publishes various documents through the Fund's website to keep members up to date on its activities. Members and other stakeholders can access the business plan and strategy statements along with governance documents. Committee papers are also available to view on CCC's website which include Stewardship updates. The Annual Report and Statement of Accounts are also published.



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The Fund is strategic in choosing suitable Investment Managers to deliver both positive returns as well as considering ESG and its impact. An example of this would be the Fund's £100m commitment *"investment strategies are aligned with key themes shaping society and the planet, contributing to a resilient decarbonised world and creating the high-quality, sustainable jobs that will power tomorrow's economy"*.

During 2017 and 2018, Cambridgeshire Pension Fund were actively considering increasing the Fund's allocation to local investing. The Fund met with several managers over the period to refine their options, and appointed BFinance as an adviser to assist with the strategy and manager selection process. The PFC were keen that the fund was to be a long-term commitment to the region, something around which in small and medium-sized enterprises ("SMEs") and the local community could make plans. Equally, it needed to deliver strong economic returns for the Pension Fund. In early 2019, a final manager selection process was carried out and Foresight was selected as manager.

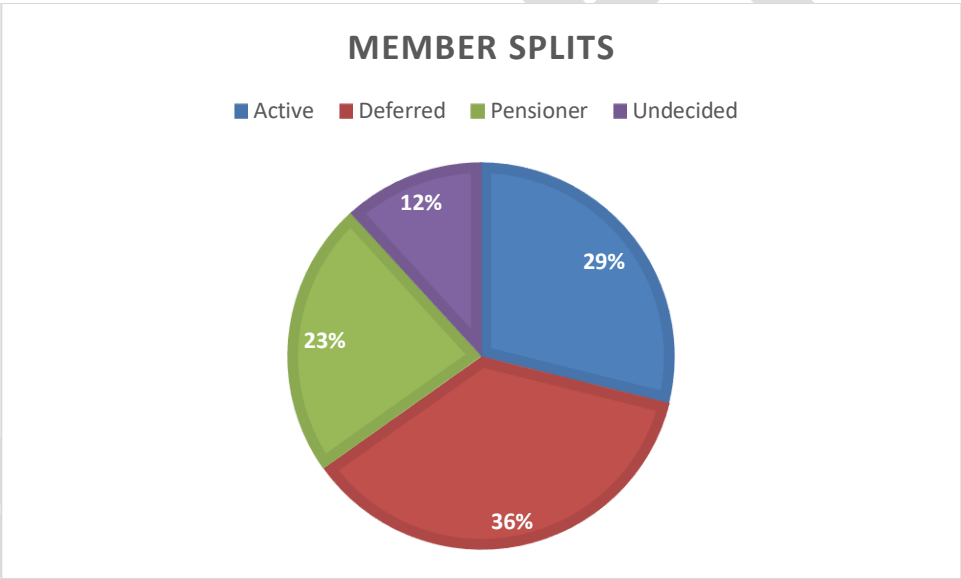
Foresight's proposal was to raise a £100m hybrid evergreen fund making private equity (not venture capital) investments into SMEs with a focus on Cambridgeshire & Peterborough, Norfolk, Northamptonshire and Suffolk. The objective of the Fund is to provide a patient source of permanent evergreen capital to support SMEs, targeting long term capital value growth for investors. The Fund was launched in the Summer of 2019.

Foresight produces an annual ESG report where they dive into detail on their portfolio and its impact against their ESG criteria. They actively encourage the companies within their portfolio to adopt sustainable strategies to improve both performance and the impact on their local communities. The annual report highlights this engagement in detail and covers ESG developments for each company in its portfolio across a range of criteria, including:

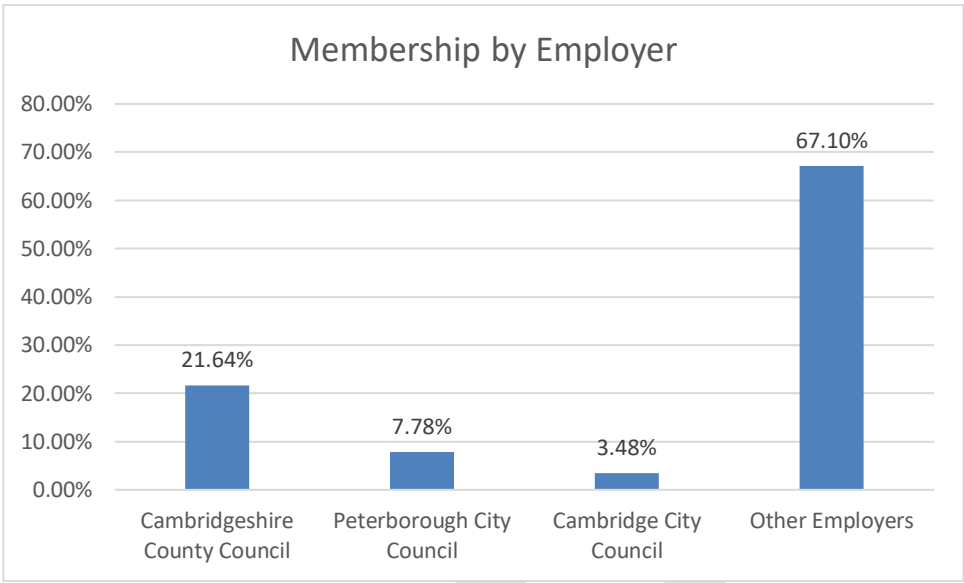
- Environmental Footprint
- Leadership and Governance
- Human Capital
- Community Engagement
- Social
- Strategy and Awareness
- Third Party Interactions

Principle 6
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

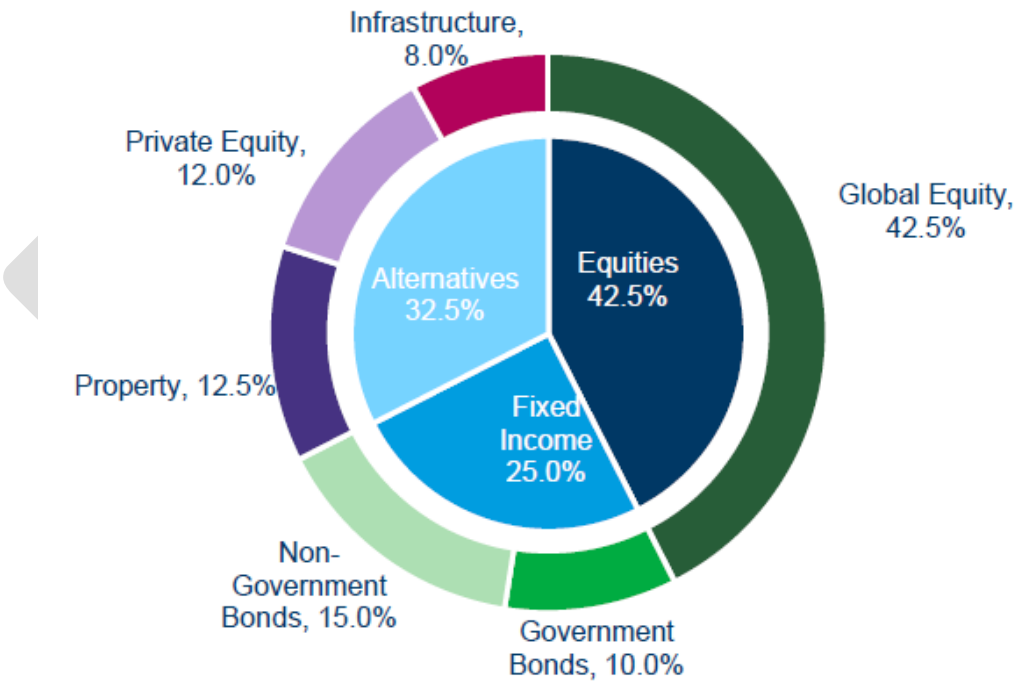
6.1 The Cambridgeshire Pension Fund is a part of the Local Government Pension Scheme (LGPS). As at 31st March 2023 the Fund has £4.2bn of assets and over 97,000 scheme members, of which circa 28,000 are active members and circa 22,500 pensioner members. There were 198 active employers within the the Fund. The chart below shows a breakdown of membership as at 31st March 2023.



Scheme employer membership encompasses a diverse range of employer types within the Cambridgeshire and Peterborough region, including local authorities, town and parish councils, educational establishments, charities, and contractors. The chart below shows the membership by employer with a breakdown of local authority and other employers as at March 31st 2023.



The Fund's strategic asset allocation is reflected below.



The Fund's structure includes an investment portfolio with allocations to a diversified selection of asset classes such as equities, fixed income, and real estate, managed by external investment managers.



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6.2 As responsible stewards of Pension Fund assets, the Fund expects fund managers to uphold high standards of transparency and accountability. They should provide clear and comprehensive disclosures of their investment philosophy, including how ESG factors are integrated into their decision-making process. Fund managers must actively engage with companies, exercise voting rights responsibly, and report on their stewardship activities regularly.

The Fund is transparent on portfolio holdings, climate risk management, conflicts of interest, and performance metrics related to ESG factors to help build trust with members and demonstrate a commitment to responsible investing.

We keep our members informed through regular website updates on:

- investment performance
- statements of accounts
- stewardship activities.

We also send communications to our members. These show them where to find out more information on the Fund. For example, through:

- newsletters
- our website
- key contacts.

The Fund's Communications Strategy can be found at the following link [Key documents \(CCC\) - Cambridgeshire and Northamptonshire LGPS \(westnorthants.gov.uk\)](#)

6.3 The Annual Report and Statement of Accounts published by the Fund serves as a comprehensive and transparent communication tool for Fund members, providing them with a detailed overview of various aspects. The report includes information on Fund administration, and management and performance, offering insights into the strategies and decisions that shaped the Fund throughout the year.

The Annual Report outlines the Fund's investment policy and highlights the guiding principles and strategies employed by the Fund to achieve its financial objectives. It also shows the Fund's approach to risk management, asset allocation, and adherence to sustainable and responsible investment practices.

The report features sections by the Fund's actuary and auditors, providing a summary of the Fund's financial health and performance. The actuarial report offers funding projections, while the auditors' findings ensure the accuracy and reliability of the financial information presented.

Fund members can gain an understanding of the Fund's financial position through the Fund financial statements. The statements provide a breakdown of assets, liabilities, income, and expenses, giving members a clear picture of the Fund's overall financial health.



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6.4 There is dedicated website content relating the Fund's climate action plan and carbon reduction journey, including progress against the Fund's decarbonisation pathway (which is aligned with the European Policy Curve). There is also a "TCFD-lite" disclosure within the Fund's Annual Report.

To provide added transparency and reduce the need for the public to make Freedom of Information (FOI) requests, the Fund publishes quarterly a complete list of all Fund holdings.

The Fund's quarterly stewardship report on engagement and voting activity undertaken at either a Fund, Pool or LAPFF level is a public document, and available alongside other public Committee and Board reports on the Cambridgeshire County Council Democracy webpages:

[Council and committee meetings - Cambridgeshire County Council > Cambridgeshire Committees > Pensions \(cmis.uk.com\)](https://cmis.uk.com)

6.5 Members and other interested parties can also access Fund information through FOI requests; as well as providing the requested information, the Fund reviews such requests to see whether the information requested should be regularly provided on its website.

Members of the public, including scheme members and beneficiaries, can also submit public questions for consideration by the Committee at any time. The Fund received several public questions regarding divestment from fossil fuels around decisions in connection with the agreement of the current Investment ISS and RI Policy. The ISS was subject to a period of formal consultation with stakeholders in May 2021 and the consultation responses, received from both scheme members and scheme employers, are summarised on the Key Documents page of the Fund's website.

[Key documents - Cambridgeshire and Northamptonshire LGPS](#)

6.6 The ACCESS website (link below) provides members with an overview of key aspects of the Fund's asset pool. It contains details of the organisational structure and decision-making processes, governance frameworks and the make-up and role played by the AJC.

Along with general information such as the pool history and details of the member authorities, the ACCESS RI Guidelines are available to view on the website as well reports on quarterly holdings and annual reports.

News updates in connection with asset pooling matters can also be found on the site. This informs members about ongoing efforts to integrate ESG factors, promote sustainable practices, and align investment decisions with values and long-term objectives. There is also information on how ACCESS fund managers engage with the companies they invest with to promote ESG and RI.

[Access Pool | Effective – Collective – Investment](#)



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Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

7.1 Effective management of ESG issues is a key determinant of long-term shareholder value and good risk management. Their consideration is part of the Fund's fiduciary duty to members. The Fund therefore recognises the importance of its investment managers integrating all material financial and non-financial factors, including ESG considerations, into the decision-making process for fund investments and the ongoing monitoring of these same issues.

The Fund reviews the investment process and ESG practices of all prospective managers at the investment/manager selection stage, whether the investment opportunity is through the ACCESS Pool or outside the Pool.

Mercer's global manager research team assesses the extent to which ESG and stewardship is incorporated into the investment process and investment decisions - ESG ratings are assigned on this basis. These ratings are considered as part of any Fund investment decision.

The ACCESS ACS Operator, Waystone, performs a similar assessment of ESG, stewardship and the consideration of sustainable opportunities before any investment manager is appointed to a sub-fund within the ACS.

Assurance will be sought through engagement with investment managers and as part of ongoing reporting and presentations at a Fund and Pool level that the investment managers are appropriately integrating ESG into their investment processes and decision making. If managers are lagging behind their peers, they will be engaged and encouraged to improve.

The PFC will receive an annual report on the degree to which the Fund's investment managers integrate ESG within their investment practises and how they compare to peers. In addition, ongoing ESG developments will be monitored through performance reporting and appropriate action taken in response to these developments.

Consideration of an investment manager's ESG approach is an important component of all meetings whether held at a Fund or Pool level, with Fund officers being able to see all ACCESS sub-fund managers through regular Investor User Group meetings. These meetings have a defined template, including ESG and stewardship matters, with investment managers for example, discussing relevant carbon metrics for their portfolio and key engagement activities.

7.2 The Fund has delegated the exercise of voting rights to all investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. These findings are reported to the ISC for review periodically.

Waystone requires investment managers appointed to exercise the voting rights attached to investments held in sub-funds in line with its voting guidelines, agreed by all ACCESS funds. Where investment managers on the platform do not adopt the positions set out in the Waystone policy, they are required to provide a robust explanation of the position adopted on a comply or explain basis in each sub-fund prospectus. This information is also included in the Fund's own stewardship reporting.

The Fund's other investment managers (i.e. those where the investment is not accessed via the ACCESS ACS) are not obliged to follow the Waystone policy, but have all produced written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund's own RI Beliefs.

7.3 The Fund is committed to developing its reporting in this area, including with regards to carbon-footprinting (for example, carbon intensity, fossil fuel reserves and potential emissions) and scenario analysis. We expand on this further below.

The reporting of carbon exposures in investment portfolios is a relatively new development and as such not all investment managers provide data on a comparable basis. The ACCESS Pool provides a basic report on sub-funds held in the ACCESS ACS but complete data is not yet available. ACCESS are currently developing their reporting requirements in this area and the Fund is actively supporting this development in order that the Fund's requirements can be fully met.

As previously mentioned, and listed in our RI Beliefs, The Fund supports the objectives of the Paris Agreement, and believes that keeping a global temperature rise this century to well below 2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns.

The Fund also believes in a "just transition" to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change.

Long-term sustainability trends, including climate change, present opportunities that increasingly require explicit consideration. The Fund actively considers Investing in strategies that target long-term ESG themes (e.g. energy, water, demographic trends) including those themes set out in the United Nations Sustainable Development Goals (SDGs) on the basis that such opportunities will generate good risk-adjusted investment returns.

Climate risk is recorded as a key risk in the Fund's Risk Register - Risk No. 3: "As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments."

In order to manage this systemic risk and to align with its support of the Paris Agreement and a "just transition," the Fund commits that its investment portfolio will be net carbon neutral by 2050, in line with the UK Government's target.



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The Fund is assessing the implications of reporting fully in line with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”) framework across the four pillars of Governance, Strategy, Risk Management, and Metrics and Targets. Whilst awaiting Government guidance for the Local Government Pension Scheme on this area, the Fund has reported, for a number of years, in alignment with the four pillars in its Annual Report and Statement of Accounts; effectively this is a “TCFD-lite” disclosure.

As mentioned in Principle 4, the Fund has annually, since 2021, commissioned an assessment of the systemic risk posed by climate change on an ongoing basis by working with Fund advisers to produce an Analytics for Climate Transition (ACT) Report. This ACT analysis helps the Fund plan for meeting its 2050 net zero target and provides carbon metrics evidencing progress. Work has begun towards this within the Fund’s passive equity investments by moving to the climate aware and fossil free funds as detailed in Principle 1.

From this analysis, the following actions were identified in June 2022 to support management of climate change risk and support improved carbon reporting.



Key areas of focus for next 12-18 months:

- Expand net zero approach beyond the listed equity portfolio to other asset classes (data permitting)
- Consider potential connections to biodiversity / natural capital
- Consider setting more granular targets across sustainable / climate solutions, transition alignment and stewardship, linking in with the outcomes of the equity portfolio review



Over the last 3 years ACT has been used to:

- Set 2024 and 2030 decarbonisation targets for listed equity and monitor progress
- Provide insight into transition capacity
- Support the RI strategy and policy approach
- Set priorities for the Fund’s climate action plan

As referenced earlier, the Fund is invested in a regional private equity fund managed on behalf of the Fund by Foresight. Foresight places ESG at the core of the of its investment approach using the following five principles;

- Awareness – Ensuring ESG is on the agenda for each company it invests in.



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- Environmental – Implementing carbon footprint reduction programs and providing support during decarbonisation and energy transition.
- Social – Creating jobs and driving diversity and equality.
- Governance – Encouraging board diversity and restructuring companies by putting chairs in place and creating committees for remuneration, audit and risk.
- Local Interactions – Raising funds for local charities and creating a community focus at all companies.

Foresight invests in companies in some of the UK's most deprived areas with the goal of creating a positive contribution to the environment, the workplace, and the local community.



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Principle 8

Signatories monitor and hold to account managers and/or service providers.

8.1 Implementation of the Fund's investment strategy and the monitoring of performance is delegated to the ISC, for which the membership is drawn from the PFC. Investment managers report to Fund Officers on a quarterly basis and set up regular meetings to discuss any issues as they arise. Any issues can be escalated to committee level if and when required.

Fund Officers also meet investment managers through regular Investment User Group (IUG) meetings at an ACCESS Pool level. Investment managers within the Pool's ACS sub-funds attend IUG meetings on a rotational basis. These meetings are facilitated and attended by representatives of Waystone, the Pool Operator.

Mercer, the Fund's investment consultant, actively oversees and assesses the performance of third-party managers on our behalf.

Mercer also evaluate performance, including the investment manager's compliance with established ESG reporting standards. By holding the investment manager accountable for providing comprehensive and accurate ESG data, the ensures that RI practices are upheld.

To assess the effectiveness of third-party managers, our consultants provide quarterly updates to the ISC on their progress, performance, and relevant news items. These updates gauge how well the managers continue to align with our investment philosophy and stewardship goals.

The Fund's investment managers are monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. The full Pensions Committee additionally receives an annual review of investment manager performance and an assessment of value for money.

As part of Mercer's approach, they have established a clear process for identifying and addressing underperforming investment managers. When they identify an investment manager within our portfolio that is consistently underperforming against predefined benchmarks and performance expectations, they initiate a comprehensive review. This review involves a thorough analysis of performance data, investment strategy alignment, and an assessment of market and economic conditions to ensure that the underperformance is not solely a short-term fluctuation.

Once any consistent underperformance is identified, the next step involves a transparent and collaborative approach. The Fund reports any findings to the ISC.

Mercer's analysis encompasses a review of the manager's investment strategy, risk management practices, historical performance, and alignment with the Fund's RI objectives. This evaluation helps gain a



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comprehensive perspective on the reasons behind the underperformance and whether any corrective measures should be implemented.

8.2 In cases where the Fund's investment consultants determine that underperformance persists despite efforts to rectify the situation, they assist in presenting options, up to and including divestment from the manager. This decision is reached with careful consideration of the potential impact on the overall investment portfolio, the ongoing commitment to responsible investing, and in the best interests of members. Throughout this process, the Fund's priority remains the prudent management of assets and the protection of our members' interests. The Fund ensures that the divestment decision, if taken, aligns with fiduciary responsibilities and reflects a commitment to maximising long-term value while maintaining RI practices.

8.3 The Government's asset pooling agenda has provided additional scrutiny of investment manager performance by introducing oversight responsibilities for the ACS Operator, Waystone. Waystone ensure the investment manager attached to a sub-fund continues to deliver on the objectives of the sub-fund within its prospectus.

The Pool also produces quarterly performance information of each ACCESS sub-fund which is considered by Fund Officers of the ACCESS authorities and the AJC. This quarterly reporting at a Pool level includes relevant stewardship information, including voting activity and alignment with the ACCESS Voting Guidelines.



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Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

9.1 The Fund’s approach to engagement is active collaboration around responsible investing principles. We prioritise identifying and addressing material ESG issues to align our investments with long-term sustainability goals. Through dialogue with our investment consultants, and collaboration with fund managers, we advocate for positive change on prioritised issues. The selection and prioritisation of engagement issues are guided by their relevance to our members interests, and potential for sustainable value creation.

Transparency remains important, with regular reporting on our engagement efforts, voting activities, and outcomes shared with our members via our quarterly stewardship and engagement reporting. Officers review the detail of all stewardship activity and share relevant engagement examples as part of the quarterly stewardship reporting.

As part of the commitment to responsible investment, the Fund actively engages with our equity managers, who are all within the ACCESS pool. We place a strong emphasis on stewardship practices and request stewardship reports from the Fund’s investment managers to ensure transparency and alignment with our responsible investment principles. Going forward the Fund is also looking to increase engagement with other asset classes currently held outside of the ACCESS Pool.

The Fund already has representatives sitting on the Advisory Committee of the Foresight East of England Fund, established on behalf of the Fund by Foresight, and referenced in earlier sections. This enables direct oversight of this investment and an understanding of value creation in the companies in which it invests, as well as the additional impact being generated within the region, for example through job creation.

9.2 Likewise, the Fund directly engages in connection with other directly held assets, Cambridge & Counties Bank (“CCB”) and Cambridge Building Society (“CBS”). The Fund owns 50% of the equity of CCB and as such appoints a shareholder representative to the CCB’s board; this enables the Fund to participate directly in decision-making that enhances value and sustainability of CCB – for example it recently become B Corp certified.

The investment into CBS was to facilitate an increase in the pace at which the Society was able to provide mortgages to families within the region, with the investment made after rigorous due diligence. The Fund



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monitors the progress of the growth of CBS due to this investment, including the growth of lending and saving, and seeks assurance on CBS's continuing ability to pay the annual coupon due.

9.3 As a member of LAPFF, the Fund can collaborate with like-minded investors and support LAPFF in delivering collective influence. This collaborative approach strengthens the Fund's ability to advocate for responsible investment practices and promotes positive changes within our investment portfolios.

The Fund actively encouraged the ACCESS Pool to become a LAPFF member to further align with the Fund's RI philosophy and enable LAPFF to leverage further LGPS assets.

9.4 Mercer's expertise in ESG issues and responsible investing underpins decisions, aiming for long-term value creation while considering ESG factors across all asset classes.

The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.

Officers attend a number of conferences such the Pension and Lifetime Savings Association (PLSA) LGPS Conference and the LAPFF Annual Conference. This helps keep the Fund abreast of recent developments and maintain relevant knowledge for timely and informed decision making, often through hearing directly from investment managers, advisors, and other asset owners.

9.5 Examples of Engagement

An example of an engagement carried out by one of the ACCESS fund managers illustrates the breadth and the number of topics covered in these discussions. The following shows engagement on equality and diversity, as well as the direction towards achieving a net zero target.

In March 2023, the manager held a video conference call with members of a company's senior management team. They discussed various sustainability matters including changes to the company's executive compensation programme, their climate commitments and Diversity, Equity and Inclusion (DEI) initiatives.

The company's team described the changes they have made to performance-driven executive compensation. These were driven by feedback from investors. The company has increased the weighting of financial metrics for short-term incentives from 40% in 2022 to 60% in 2023. The company has returned to a full year performance period versus the bifurcated performance period they had in 2022. Bonus objectives are now tied to their 2025 ESG goals on gender representation, diverse recruiting, and carbon reduction. Finally, they discussed the Company's three-year DEI roadmap and the addition of three independent directors to their Board in 2022.

The manager referenced the annual climate commitment audit of the portfolio. Their audit revealed that the Company had not set a net zero target, albeit their carbon emissions reduction goals are aligned to the Science Based Targets Initiative (SBTi). The manager needed to understand the Company's approach to making future climate commitments. The team explained that that the feasibility of a net zero objective depends on the electrification of their fleet. Currently, they have a science-based climate goal



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to electrify 35% of their U.S. fleet by 2030. Management needs to be comfortable with the technology driving this electrification as the current range of electric trucks is not able to accommodate the routes that they need to achieve. The cost per truck is high however they recognise that the technology is constantly improving, and overtime costs should decrease. In the meantime, management are open to feedback from subject matter experts and are working with partners in the field. The Company explained that from a philosophical perspective, they want to ensure that their climate goals can be achieved by the leadership team of this generation.

The manager will keep track of the Company's progress regarding their climate objectives and will follow up with the company as appropriate.

Below is an example of engagement from another ACCESS sub-fund manager where they discuss governance issues.

Investment Rationale

The company is one of the world's largest pharmaceutical companies with major segments in pharmaceuticals, ophthalmology, and generics. The manager invested in the company because of its attractive valuation, emerging market and biosimilar exposure, financial strength, and growth opportunities.

The manager spoke with the company about its updated strategy to focus on more high value products as well as capital allocation, and research and development (R&D) efforts.

The manager spoke with the Chief Financial Officer (CFO) about the company's shifting strategy to focus on more high value products. We discussed potential consequences to the pipeline as a result of the shift, including eliminating some pipeline assets and accelerating others. The company reiterated that management is currently focusing on, and investing in, organic growth while also looking for opportunities to identify assets to supplement internal R&D efforts. They also discussed the general pros and cons of sharebuy-back programs versus mergers and acquisitions (M&A) capital allocation.

The manager didn't discuss the topic of access to medicine because the company ranks in the top 10 of the Access to Medicine Index and they find its policies in this area to be sufficient.

The manager felt they communicated their views to the company management and believe the company adequately heard their voice.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

10.1 The Fund is a member of the ACCESS pool, formed with ten like-minded LGPS funds to implement asset pooling in response to the Government’s LGPS reform agenda. The Government’s aim is to encourage LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance. The eleven partners funds in ACCESS have collectively pooled £34bn as at 31st March 2023. The full membership of the ACCESS pool comprises the following pension funds: Cambridgeshire, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

All eleven funds are committed to working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that over time, all investments will be pooled apart from where there is no benefit to pooling a specific investment as identified and agreed by an individual fund.

Asset pooling is intended to provide the benefits of scale that will enable the Fund to deliver Value for Money through improved net return. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for providing a suitable range of sub-funds to meet the requirements of all of the funds’ investment strategies.

Waystone have been appointed the operator of the ACCESS ACS (Authorised Contractual Scheme – an HMRC approved tax transparent collective investment vehicle), through which the eleven funds invest in liquid listed investments. The ACCESS funds are investigating the structures through which Alternative assets can be pooled, alongside the pools Alternative Assets consultant, Apex. ACCESS has recently started working with CBRE who provide a pooled vehicle for Property investment opportunities in the UK and globally.

10.2 Through collaborative engagement, the Fund identifies common ESG objectives and jointly address issues like climate change, asset diversity, and sustainability. The Fund’s investment managers actively engage with companies both directly and throughout the investment chain to advocate for improved ESG practices and long-term value creation.

To measure progress and ensure transparency, the Fund regularly reports on the outcomes of collaborative engagement, evaluating the effectiveness of joint efforts and refining the approach over time. The Fund adheres to robust RI guidelines, which underpin investment decisions, ensuring ESG factors are integrated into analysis.

ACCESS oversees the pooling of resources between the eleven LGPS Funds to create a larger and more influential investment pool. This collaboration expands investment opportunities and enhances expertise



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through shared knowledge. Being part of the ACCESS pool strengthens the Fund's negotiating power and promotes responsible investing practices.

The Fund plays a vital role within ACCESS, contributing assets and expertise, aligning investment strategies, and collectively engaging with investment managers to drive change. This collaborative approach helps the Fund to achieve long-term financial and ESG-related objectives while fulfilling fiduciary duty and serving the best interests of members.

10.3 The ACCESS AJC agreed the voting guidelines for inclusion by Waystone in their Investment Management Agreements. These guidelines set out those matters of importance to the ACCESS authorities and promote good corporate governance and management in the companies in which investments are made. In circumstances where investment managers do not adopt the positions set out in these guidelines, they are required to provide a robust explanation of the position adopted.

The ACCESS pool has established RI guidelines that align with all member Authorities. The RI guidelines were developed around 5 key pillars: Governance, Process, Implementation, Stewardship and Monitoring and Reporting. Individually and collectively the funds that make up ACCESS believe that investments made on behalf of scheme members should be sustainable and the RI guidelines help to ensure collaborative engagement towards this goal.

ACCESS has an ESG/RI Group that is undertaking a program of further activity in connection with the RI Guidelines, including the introduction of further reporting on TCFD and stewardship activities, a review of the ACCESS Voting Guidelines, and consideration of a Pool level Stewardship Code submission.

ACCESS also expects that investment managers will be signatories to and comply with the Financial Reporting Council's Stewardship Code and Principles of Responsible Investment.

A full breakdown of the voting cast for the ACCESS sub-funds in which the Fund invests over the reporting period 1 January 2023 to 31 December 2023 can be found in Principle 12.

10.4 During 2023, a total of 63 engagements were made by ACCESS Pool investment managers with companies they invest in on the Fund's behalf. This can be broken down into 13 engagements relating to environmental issues, 20 engagements relating to social issues, and 30 engagements relating to governance issues.

**The above figures only go up to September 2023, we will update these to include October – December figures once available.*

As well as engagement made by investment managers relating to ACCESS Pool assets, LAPFF also engages with hundreds of companies to amplify the local authority voice and accelerate change. Their understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. It represents the majority of the UK's local authority pension and pooled funds,



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including ACCESS who are collaborating in the LAPFF forum to address issues such as executive pay, reliable accounting, and the transition to a net-zero economy.

Draft



West
Northamptonshire
Council



Cambridgeshire
County Council

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Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

11.1 Assessing the performance of external managers is critical to ensuring optimal portfolio outcomes. While most investment managers diligently strive to meet or exceed their mandates, there are instances when an investment manager's performance might consistently fall below expectations. In such cases, the Fund employs a systematic evaluation process, and if necessary, escalates the matter for further review and action.

In cases of persistent unremedied underperformance, the Fund will escalate the matter to the PFC and with our investment consultants bring options before them. The PFC then evaluate whether it's prudent to continue with the current manager or explore alternative options.

Like the Fund, ACCESS believes in a 'just transition' to a low carbon economy that ensures fair treatment for employees and communities that would otherwise bear the brunt of industrial change. Individually and collectively the Funds that make up ACCESS also believe in constructively engaging with companies on any identified ESG and RI issues, rather than immediate divestment from these assets.

ACCESS believe that the monitoring of RI activities and outputs is vital to ensuring alignment of RI performance with its Guidelines. Third parties such as Waystone, the pool custodian, asset managers, and other stakeholders are actively encouraged to provide relevant, transparent, and accessible ESG-related information through reporting. Reporting expectations may also be driven by other factors, such as reporting that is aligned with The Taskforce for Climate-related Financial Disclosures (TCFD). Any reporting arrangements put in place need to be able to meet the many and varied reporting requirements of the Councils, now and in the future.

11.2 LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. Emphasising corporate responsibility and long-term shareholder value, LAPFF, along with its members, actively addresses issues such as executive pay, reliable accounting, and the transition to a net-zero economy.

Through collaboration with UK local authority pension funds, the Forum leads initiatives to influence positive changes in some of the world's major corporations. With combined assets exceeding £350bn, LAPFF engages with company leaders, stakeholders, and regulators to promote responsible investment and corporate responsibility.

The Forum recognises the importance of considering not only individual companies but also broader market dynamics. By challenging regulators and advocating reforms, LAPFF contributes to advancing corporate responsibility and responsible investment. This collaborative effort aims to secure the value of pension funds, supporting millions of people in retirement both now and in the future. LAPFF engages with companies on a wide range of issues on behalf of the Fund, most of which can be classified into the following categories:



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Climate risk – LAPFF encourages companies to align their business models with a 1.5°C warming scenario and pushes for carbon emissions reporting and their approach to carbon management to be part of their business strategy.

Social risk – To identify and address social risk, LAPFF engages directly with affected workers and communities. Engaging in this way enables LAPFF to deal with risk in a comprehensive way.

Governance risk – LAPFF believes that effective corporate governance minimises risk and maximises shareholder value. The majority of their engagement is on this topic as they feel this facilitates effective environmental and social practices. They can engage at board and company chair level to affect change.

Reliable accounting risk - LAPFF focuses on reliable accounts policy making looking to raise accounting and auditing standards. LAPFF has found that despite the Companies Act requiring accounts to be sufficiently reliable, current standards leave openings for issues with fraud, capital maintenance and funding. The focus also extends to climate change aspects of accounts including decarbonisation.

LGPS and Stewardship – LAPFF uses its role in the LGPS to engage on matters such as pooling and stewardship. They believe that pooling should show a clear sight of work and remain beneficial to both parties and that active stewardship by pension funds leads to the long-term success of the companies invested in. LAPFF also set up an all-party parliamentary group (“APPG”) to discuss LGPS matters with ministers.

LAPFF engages with large global companies in which LAPFF members hold substantial numbers of shares. This engagement revealed shortcomings in the way some industry’s approach climate change and LAPFF have encouraged improved climate policy and practice, aiming to use the largest companies in the sector to create positive incentives to others. Given the massive policy challenges on climate and the increasing interest by LAPFF members in natural resources depletion, including biodiversity and deforestation, LAPFF supports the Taskforce for Nature-related Financial Disclosure framework (TNFD) which aims to provide a framework for companies to report and act on nature-related risks and opportunities.

Principle 12

Signatories actively exercise their rights and responsibilities.

12.1 The Fund’s RI Policy includes its approach to exercising of rights attached to investments. This includes the Fund’s belief that if companies comply with the principles of the UK Corporate Governance Code published by the Financial Reporting Council, this can be an important factor in helping them succeed; but the Fund also accepts the need for a flexible approach that is in the common long-term interests of stakeholders including shareholders, company employees and consumers, and that the principles accepted as best practice in the UK may differ globally.

The Fund has delegated the exercise of voting rights to all investment managers including the ACCESS ACS Operator, Waystone, on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value.

The Fund’s investment managers should exercise their rights as owners of investments to actively participate in company level decisions tabled as shareholder votes at General Meetings.

Assets held within the ACCESS ACS should be voted in accordance with the ACCESS Voting Guidelines on a “comply or explain” basis with voting outcomes regularly monitored and reported to both Joint Committee and the Funds.

The Fund’s other investment managers (i.e. those where the investment is not accessed via the ACCESS ACS) are not obliged to follow the ACCESS Voting Guidelines but have all produced written guidelines and policies outlining their own stewardship process and practices (including voting and engagement). These managers are encouraged to vote in line with their respective guidelines, in respect of all resolutions, at annual and extraordinary general meetings of companies. As part of its manager selection and monitoring process, the Fund reviews such guidelines and policies and ensures that the practices adopted are aligned with the Fund’s own Responsible Investment Beliefs.

Whilst the Pool allows stock-lending to provide added value to investors, this is a carefully managed approach that requires stocks to be recalled when they are required for voting activities. Voting at a Pool level is actively monitored to ensure sub-fund investment managers are appropriately voting when the opportunity arises, thus actively exercising rights and responsibilities on the Fund’s behalf.

12.2 The following table shows the votes cast for and against management for the ACCESS sub-funds in which the Fund invests over the reporting period 1 January 2023 to 31 December 2023. Over this period the Fund’s investment managers did not vote against the ACCESS Voting Guidelines.



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Sub-Fund	Manager	No. of Meetings	Number of Votes Cast		
			For	Against	Other
WS ACCESS Global Stock	Dodge & Cox	85	1125	187	46
WS ACCESS Global Equity	Longview	42	515	84	46
WS ACCESS Global Equity – JOHCM	J O Hambro	30	236	229	44
Total		157	1876	500	136

12.3 In addition to proactive voting, the Fund's investment managers should act as active asset owners through engagement with companies where there are concerns over ESG issues. Officers provide quarterly reports to the committee, presenting updates on engagements and discussing any ongoing matters. If concerns arise during these discussions, they are promptly communicated to the investment managers for further attention. Officers also proactively seek updates on ongoing engagements informally, outside of the committee cycle.

The Fund also believes that acting collectively with other investors, for example, with fellow investors in the ACCESS pool or through membership of the LAPFF is an effective way to engage with companies. In the event that engagement is not effective the Fund will consider divestment from an individual stock, where agreed with the relevant investment manager that this is appropriate. If the Fund cannot reach agreement with the investment manager on a stewardship issue, it may be appropriate to divest from the manager.

Further information on engagement activities by ACCESS and LAPFF is included in the response to Principle 10.

Glossary

AA Administering Authority.

ACTUARY An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ACS Authorised Contractual Scheme.

ADMITTED BODIES Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

AJC ACCESS Joint Committee.

ASU ACCESS Support Unit.

BOND Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CCC Cambridgeshire County Council.

CIPFA Chartered Institute of Public Finance and Accountancy.

CUSTODIAN An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

DEFERRED PENSION BENEFIT A pension benefit which a member has accrued but is not yet entitled to receive.

DLUHC Department for Levelling Up, Housing and Communities.

ESG Environmental, Social and Governance.

EQUITIES Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

FIDUCIARY DUTY Refers to the legal and ethical obligation the Fund has to act in the best interests of beneficiaries.

ISC Investments Sub-Committee.

IUG Investment User Group.



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KPI Key performance indicators.

LAPFF Local Authority Pension Fund Forum.

LGPS Local Government Pension Scheme.

LOLA LGPS Online Learning Academy.

LPB Local Pension Board.

MYNERS PRINCIPLES Principles aimed at improving the effectiveness of institutional investors, particularly pension funds, in their decision-making processes.

OWG Officer Working Group.

PFC Pension Fund Committee.

PIRC Pension & Investment Research Consultants.

PORTFOLIO A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

PRIVATE EQUITY A form of investment that involves funds pooled from institutional and high-net-worth investors to acquire, invest in, or provide capital to private companies.

RI Responsible Investment.

SBTi Science-Based Targets Initiative.

SDG Sustainable Development Goals.

SLA Service Level Agreements.

SURPLUS An outcome as a result of taking away all expenses from income. Additionally, the Fund is in surplus when the assets are larger than liabilities.

TCFD Task Force on Climate related Financial Disclosures

YIELD The return generated by an investment.

Cambridgeshire
Pension Fund

Pension Fund Committee

28 March 2024

Report by: Head of Pensions

Subject: Cashflow Projections Report

Purpose of the Report: 1. To present to the Pension Fund Committee a summary of the Cashflow projections report produced by the Fund's Actuary.

Recommendations: That the Pension Fund Committee

1. Notes the contents of the report.

Enquiries to: Name – Cory Blose, Employer services manager
Tel – 07990 560829
E-mail – cory.blose@westnorthants.gov.uk

1. Executive Summary

- 1.1 This report introduces a presentation to be provided by the Fund's Actuary summarising the results of recent cashflow projections modelling.
- 1.2 A full report has been provided by the Fund Actuary and is included as appendix A to this report.
- 1.3 The report considers the expected value of member and employer contributions paid into the Fund against the value of benefit payments paid out of the Fund.
- 1.4 When the value of contributions received exceeds the value of benefit payments, the Fund has a positive cashflow position and is able to pay benefits as they fall due from the income received from the contributions.
- 1.5 When the value of contributions received is less than the value of benefit payments, the Fund has a negative cashflow position and will need to draw on the Fund's invested assets to meet benefit payments as they fall due, either by using the income generated by the Fund assets or by selling Fund assets.
- 1.6 A negative cashflow position is not an issue as long as it is monitored and planned for. Fund assets have been building up for the purpose of paying benefits but if the position is not monitored and managed effectively, the Fund could be forced to sell assets at an inopportune time.
- 1.7 By monitoring when the Fund can expect to become cash flow negative allows for a planned and managed sale of assets.

- 1.8 The Fund's cashflow position is sensitive to inflation due to members benefits being index linked with the revaluation of benefits and pension increases being linked to CPI.
- 1.9 The report considers the potential net cashflow position of the Fund across three possible inflation scenarios. A baseline scenario representing consensus forecasts for future inflation based on current market data as well as a scenario assuming a recession (with low inflation) and a high inflation scenario.
- Baseline scenario: The Fund is expected to become cashflow negative by 2030.
 - Recession: The Fund is expected to remain broadly cashflow neutral over the short and medium term.
 - High Inflation: The Fund is expected to become cashflow negative over the next few years.
2. Background
- 2.1 The Pension Fund collects contributions from members and employers on a monthly basis. These contributions are used to pay benefits already due with any excess being invested to build up assets which can be used to pay benefits as they fall due in the future.
- 2.2 As a pension fund matures the value of benefit payments will start to exceed the income from contributions. At this point the fund is considered to be cashflow negative.
- 2.3 As long as this transition is monitored and managed effectively, being cashflow negative is not a problem. The assets have been built up for this purpose but if not managed effectively it could pose a liquidity risk and the Fund may become a forced seller of assets and may not get the desired return on its investments.
- 2.4 Knowing when the Fund is likely to be cash flow negative is helpful in the development of the Fund's funding and investment strategies helping to ensure that the Fund:
- has enough cash available to pay benefits to members
 - can maintain stable employer contribution strategies over time and withstand market volatility
 - understands the amount of cash balance that needs to be retained
 - avoids the risk of being a forced seller
 - has adequate income generating assets
 - makes the most efficient use of income generated by the Fund's assets
 - implements an optimum cash management policy
- 2.5 Member benefits are protected against inflation through the Pension Increase order which is linked to the consumer prices index (CPI) as at the previous September. The value of member benefits and the Fund's cashflow position is therefore sensitive to the rate of inflation.
- 2.6 The focus on cashflow is greater due to the significant increase in the rate of inflation and resulting increase to benefits at April 2023 (10.1%) and April 2024 (6.7%).

- 2.7 The report therefore considers three potential inflation scenarios; a baseline scenario based on consensus forecasts on future inflation, a plausible high inflation scenario and a plausible recession scenario.

3. Report Summary

- 3.1 The Fund Actuary will give a presentation during the meeting to summarise the report for the Committee. This will cover:

- Background to why we monitor cashflow positions (pages 5-7 of the report)
- The inflation scenarios used (page 9 of the report)
- Cashflow projections under each scenario with key learnings (pages 11-18 of the report)
- Next steps

- 3.2 The actuary will talk through the results in detail but the headlines are:

- **Baseline scenario:** The Fund is expected to become cashflow negative by 2030 but is generating sufficient income to meet the expected cashflow shortfall over the next 20 years.
- **Recession:** The Fund is expected to remain broadly cashflow neutral in the short to medium term if inflation is low.
- **High Inflation:** The Fund is expected to become cashflow negative over the next few years with the gap growing if high inflation persists. This could create a requirement for more income generating assets to ensure there is sufficient cash to pay benefits.

4. Relevant Pension Fund Objectives

- To 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.
- To 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.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To put in place a strategic asset allocation ensuring it is appropriately maintained taking into account the Funding strategy.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

5. Risk Management

- 5.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 5.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making.	Green
Failure to respond to changes in economic conditions	Amber

- 5.3 The Fund's full risk register can be found on the Fund's website:

[Pension Fund Risk Register](#)

6. Finance & Resources Implications

- 6.1 The results of this report will be used to review the Fund's cashflow management policy, investment strategy and may impact the allocation and management of the Fund's assets, including liquidation of assets where appropriate.

7. Communication Implications

- 7.1 There are no communications implications arising from the report.

8. Legal Implications

- 8.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

9. Consultation with Key Advisers

- 9.1 The Cashflow Projections report was produced by the Fund Actuary.

10. Alternative Options Considered

- 10.1 None available.

11. Appendices

- 11.1 Appendix A: Cashflow Projections report

Checklist of Key Approvals

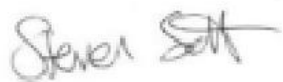
Has this report been cleared by Section 151 Officer? - 08/03/2024

Has this report been cleared by Head of Pensions? Mark Whitby – 14/02/2024

Has this report been cleared by Monitoring Officer? Emma Duncan - 04/03/2024

Cambridgeshire Pension Fund

Cashflow projections



Steven Scott FFA

21 December 2023

For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP is a limited liability partnership registered in England and Wales with registered number OC310282. A list of members of Hymans Robertson LLP is available for inspection at One London Wall, London EC2Y 5EA, the firm's registered office. Authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Hymans Robertson is a registered trademark of Hymans Robertson LLP.

Use the menu bar above to navigate to each section.

Contents

In this report:

	Page
Executive summary	3
Background and inputs	4
Inflation scenarios	10
Investment yield sensitivity	17
Next steps	19
Reliances and limitations	21

Executive summary

This paper is addressed to Cambridgeshire County Council as the Administering Authority to the Cambridgeshire Pension Fund (“the Fund”). The paper considers different future projections of the Fund’s cashflows under a range of different scenarios. The analysis and projections will help the Fund better understand its current and potential future cashflow position and is part of its management of risk in this area.

From the analysis and projections set out in this paper, the following conclusions can be drawn:



In the absence of investment income, the Fund is likely to be cashflow negative by 2030 allowing for the April 2023 pension increase order of 10.1% and the expected April 2024 pension increase order of 6.7%, as well as pay growth in line with national local government pay award information. This is later than previously anticipated (2029) as part of the analysis carried out in December 2022 due to increased contribution income (based on increased payroll).



The cashflow position of the Fund is sensitive to future levels of inflation. The recessionary scenario represents a “hard landing” and associated new period of low inflation. Under this scenario, the Fund remains cashflow positive over the 20-year projection period. This highlights the importance of reviewing the cashflow position on a regular basis in an uncertain inflationary environment.



In the longer-term, the most significant risk to the Fund (in respect of its cashflow position) is a high inflation scenario, where inflation remains elevated for a longer period. Under this scenario, the Fund becomes cashflow negative over the next couple of years, with the gap increasing to a material level in the longer-term.

Background and inputs

What is cashflow negativity and does it matter?

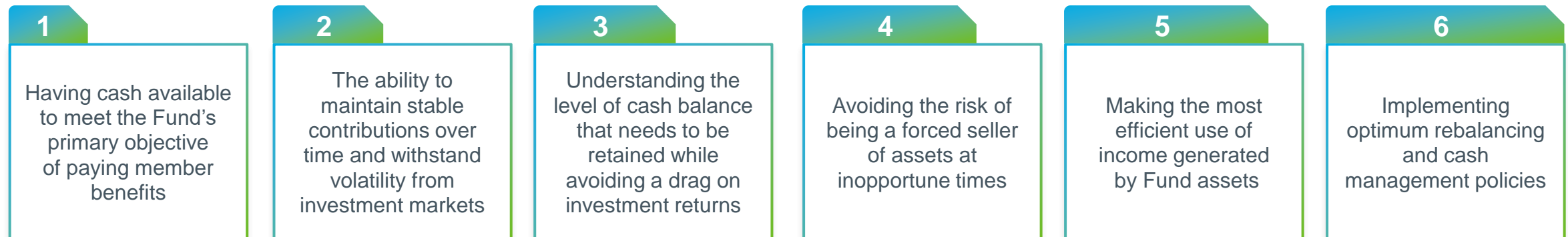
Every month, the Fund receives income via contributions and pays out benefits to members. Historically, the benefits have been paid out of the contribution income with any excess being invested. This is how the Fund's asset value has built up over time (along with investment returns).

Over time a pension fund will mature, and the level of benefit payments will start to exceed contribution income. At this point, a pension fund is considered "cashflow negative".

Being cashflow negative itself is not unexpected for a pension fund; the assets that have been accrued are for the purpose of paying benefits. However, if the transition to being cashflow negative is not monitored and managed effectively, it can pose a liquidity risk and the Fund may become a forced seller of assets.

At the 2022 valuation, the focus on cashflow is greater given the significant increases in benefits (10.1% at April 2023 and 6.7% at April 2024) due to rising inflation.

Knowing when the Fund is likely to be cash flow negative is helpful as it can have implications for both the funding and investment strategy:



This paper explores the Fund's cashflow position under a variety of different scenarios to inform its approach to cashflow management

Recent cashflow position

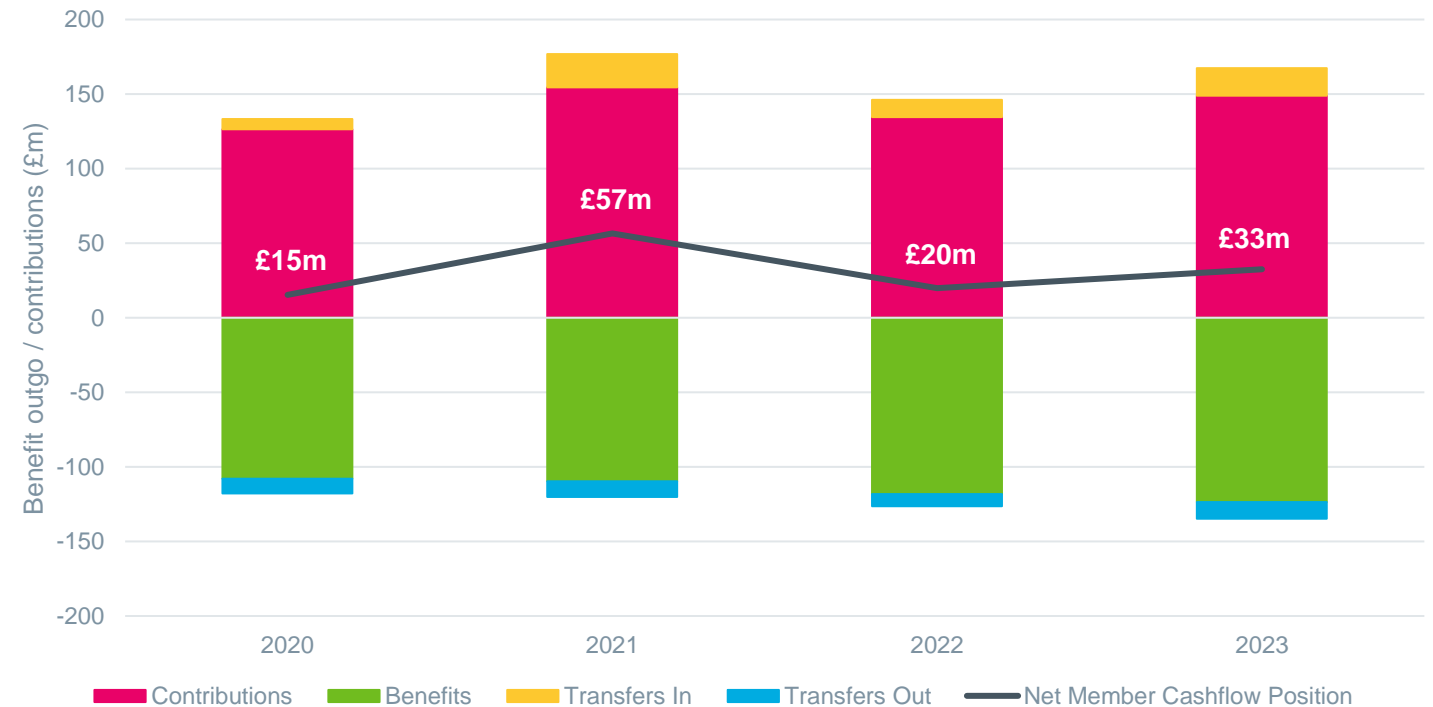
Using the annual report and accounts for years ending 2020, 2021, 2022 and 2023 (draft), we have analysed the recent cashflow position for the Fund.

The chart shows the absolute value of contribution income and benefit outgo (bars) and the net cashflow position (line and figures).

During this period, the Fund remained cashflow positive, i.e. contribution income exceeded benefit outgo.

Transfers into and out of the Fund can significantly affect the cashflow position. In 2021/22, there were c.£12m of transfers into the Fund which helped increase the net cashflow position. These were partially offset by c.£8m of transfer out in the same period.

NB The average investment income yield is c.0.5% of assets p.a.



The cashflow position has been positive in recent years. Excluding the impact of transfers, the current net cashflow position is around £33m (contributions exceeding benefits).

What are the cashflows of the Fund

In this paper we consider the main cashflows in and out of the Fund over the next 20 years.

The Fund's primary sources of income are:

- Contributions from employers in the Fund
- Contributions from employee members in the Fund
- Income streams generated from the Fund's investments

Contributions paid are estimated based on:

- The 2022 valuation payroll
- An allowance for increases in payroll in 2023 and 2024 in line with national local government pay award information.
- The aggregate of all certified employer contribution rates payable from 1 April 2023 to 31 March 2026. Thereafter the contribution rate has been assumed to remain stable up to year 20.

The Fund's outflows are the benefits payable to the members and their dependants. These include:

- Retirement lump sums paid to active and deferred members on retirement
- Retirement pensions paid to pensioners and their dependants
- Death in service benefits and ill health benefits.

Transfers in and out of the Fund by individual members are not usually a significant source of income or outflow and typically balance out over time.

The projected cashflows are sensitive to several assumptions. The most significant are:

- Level of future benefit increases (LGPS benefits are generally index-linked and increase in line with Consumer Price Index (CPI) inflation)
- Level of current and future payroll (determines the amount of contributions received)

We have prepared future cashflow projections under a range of different inflation and payroll scenarios to inform decision making. This helps the Fund understand the sensitivity of its cashflow position to these sources of uncertainty and make appropriate management plans.

Data, assumptions and methodology

Membership data

We have used the membership data provided for the 2022 valuation of the Fund.

Assumptions

The demographic and financial assumptions are in line with those adopted for the 2022 valuation of the Fund unless stated otherwise.

Further information on the membership data and assumptions is detailed in the 2022 valuation initial results report dated October 2022, and in the final valuation report dated March 2023.

Allowance for benefit outgo in respect of benefits yet to be accrued by current active members is included in the projection; however, given the relative short timeframe considered, no allowance has been made for benefit outgo in respect of accrual by members yet to join the scheme.

Methodology: how we project benefit payments

Known pension payments for current pensioners.

Adjust for one year's pension increases, expected deaths, retirements

Adjust each year allowing for pension increases, retirement, deaths, new dependants etc.

No allowance has been made for new joiners in our analysis as we are considering a 20 year time period

Payments many years away will be to new joiners.

YEARS

Methodology: projecting contribution income

- Payroll is assumed to stay constant in real terms, i.e. it increases in line with the valuation assumption of 3.2% pa, however an allowance has been made an increase of 7.0% in 2023 and 6.6% in 2024 in line with the national local government pay award information.
- Employer contributions are assumed to be in line with the pattern as set out on page 7
- Employee contributions are based on the weighted average for the Fund at the 2022 valuation (6.4% of pay).

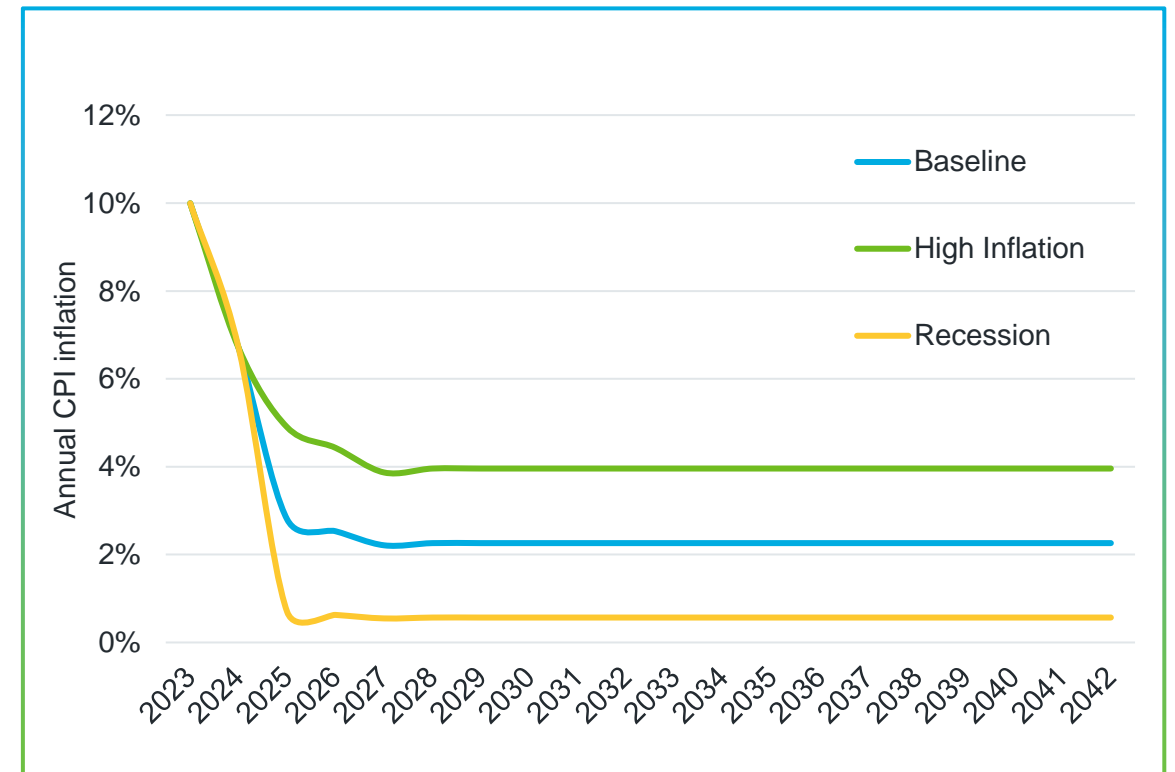
Scenarios explored

Future CPI inflation

Given the sensitivity of future benefit payments to inflation, we have considered three potential scenarios for future inflation. All scenarios recognise a 10.1% increase in benefits in April 2023 and an expected 6.7% increase to benefits in April 2024:

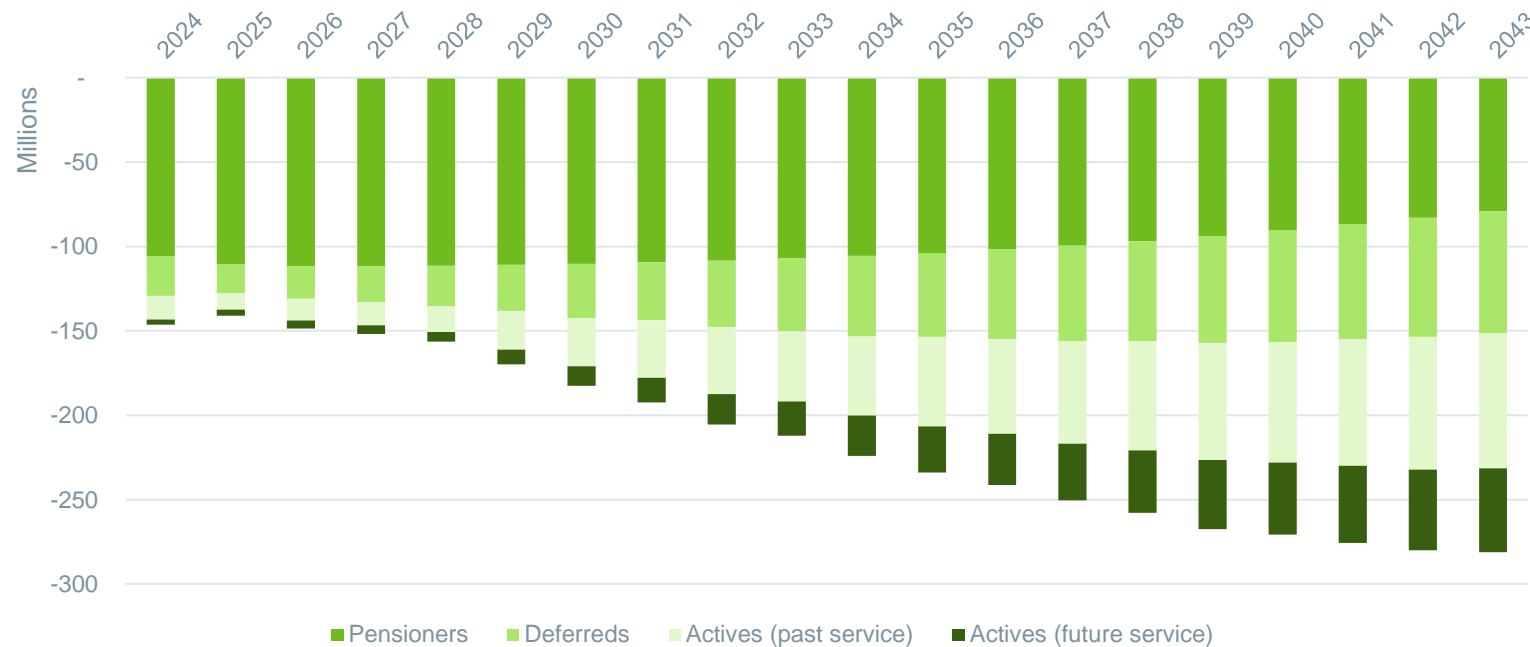
- Scenario 1: this **baseline** scenario represents consensus forecasts for future inflation based on current market data. This is a combination of short-term market expectations and longer-term expectation that the rate will tend towards the Bank of England's 2% target.
- Scenario 2: this represents a plausible **recession** scenario, occurring largely due to excess supply over demand because of higher energy and food prices. This results in a "hard landing" and associated new period of low inflation remaining below the Bank of England target.
- Scenario 3: this represents a plausible **high inflation** scenario where inflation remains high due to higher energy and food prices.

In all scenarios we have kept the payroll growth assumption constant at 3.2% p.a.. However, we have made an allowance for higher pay increases in 2023 and 2024 in line with the national local government pay award information.



Inflation scenarios

Projected benefit outflows (baseline scenario, consensus inflation)



Notes

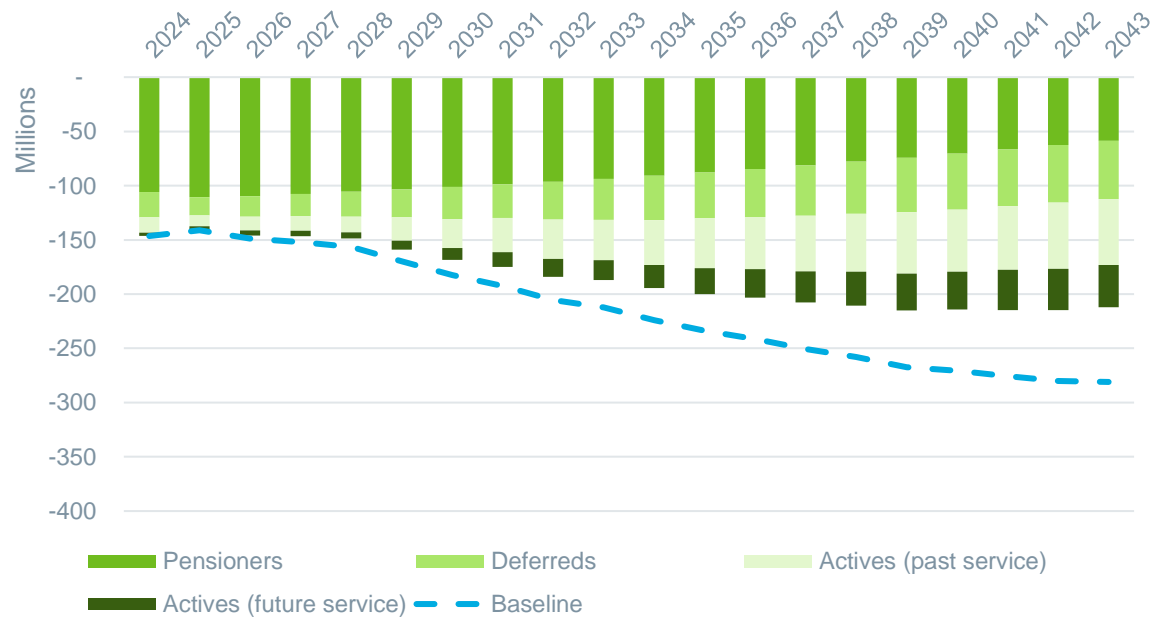
The years along the x-axis (horizontal) refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

Increased benefit outflow in 2024 in comparison to 2025 is because of the model assumption that all active members already past their assumed retirement age will retire 1 year after the valuation date (2022). In reality these outflows would be spread across a longer period.

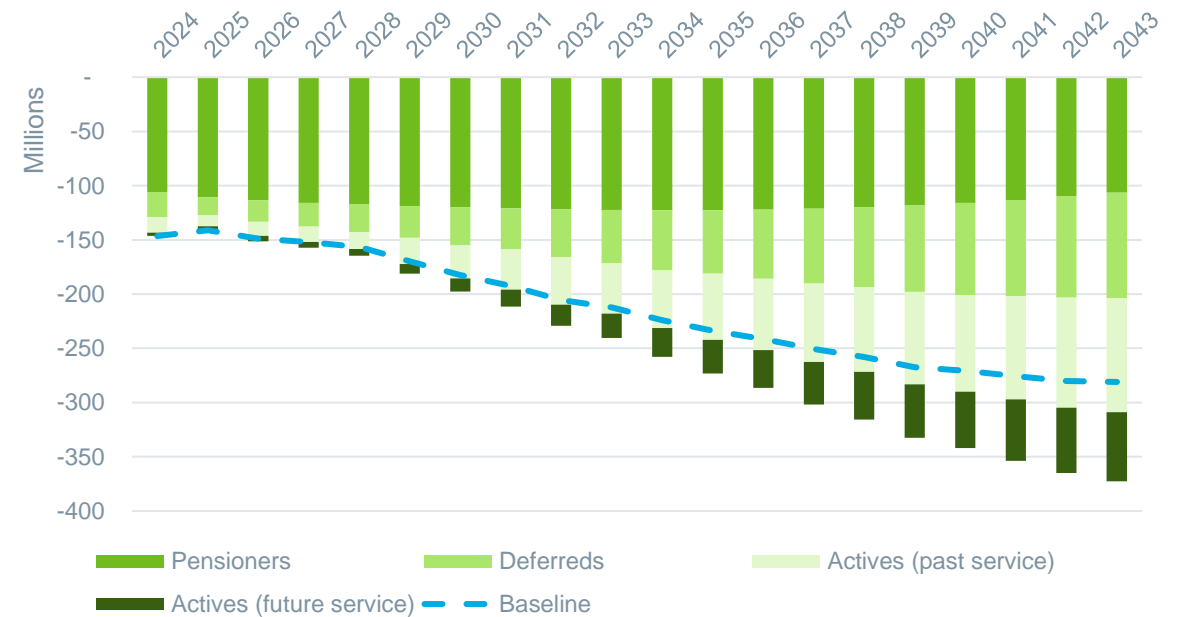
The Fund currently pays around £125m in benefit payments. This is expected to double by 2037.

Projected benefit outflows (alternative inflation scenarios)

Recession

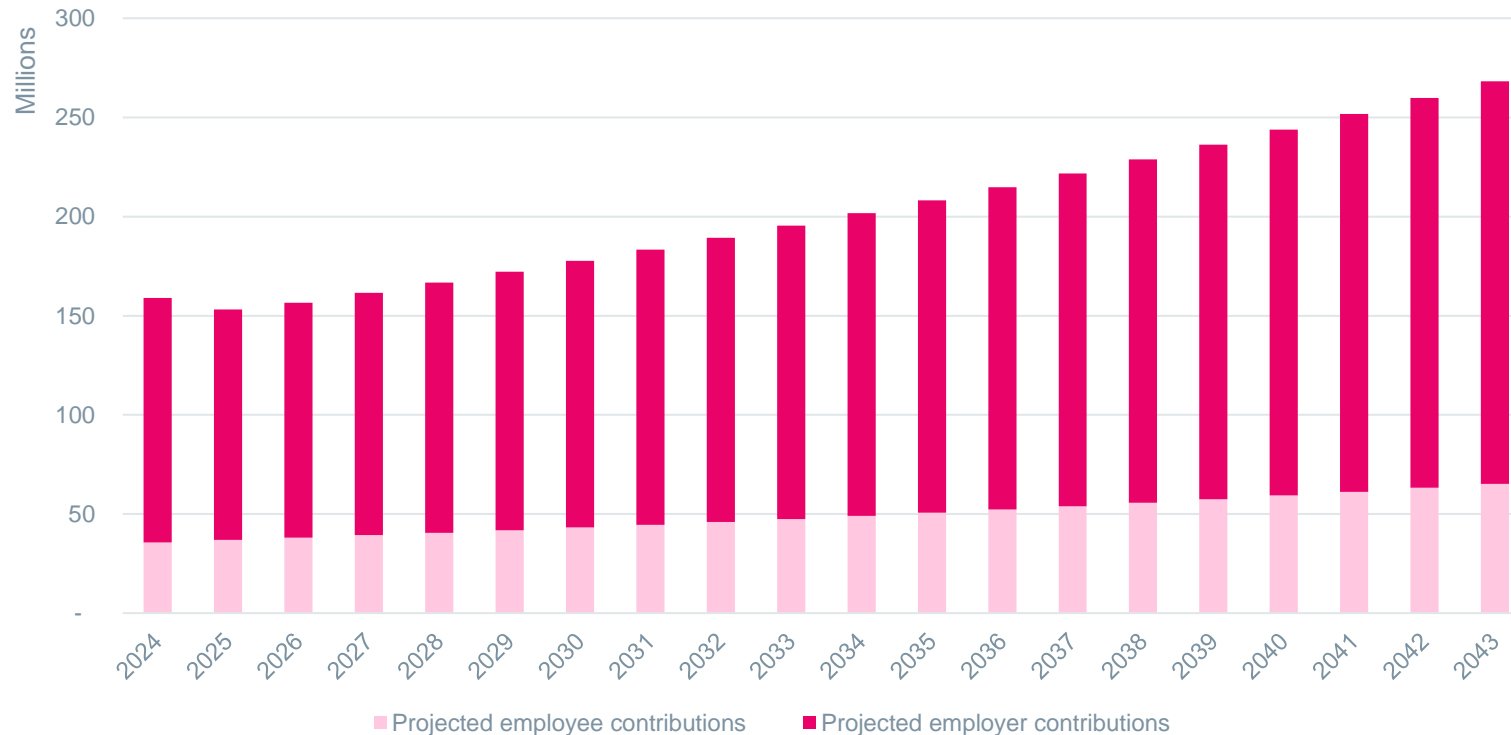


High Inflation



Scenario analysis helps understand the impact inflation may have on future benefit payments – difference of c.£160m in annual benefit payment by 2043

Projected contribution income (all inflation scenarios)



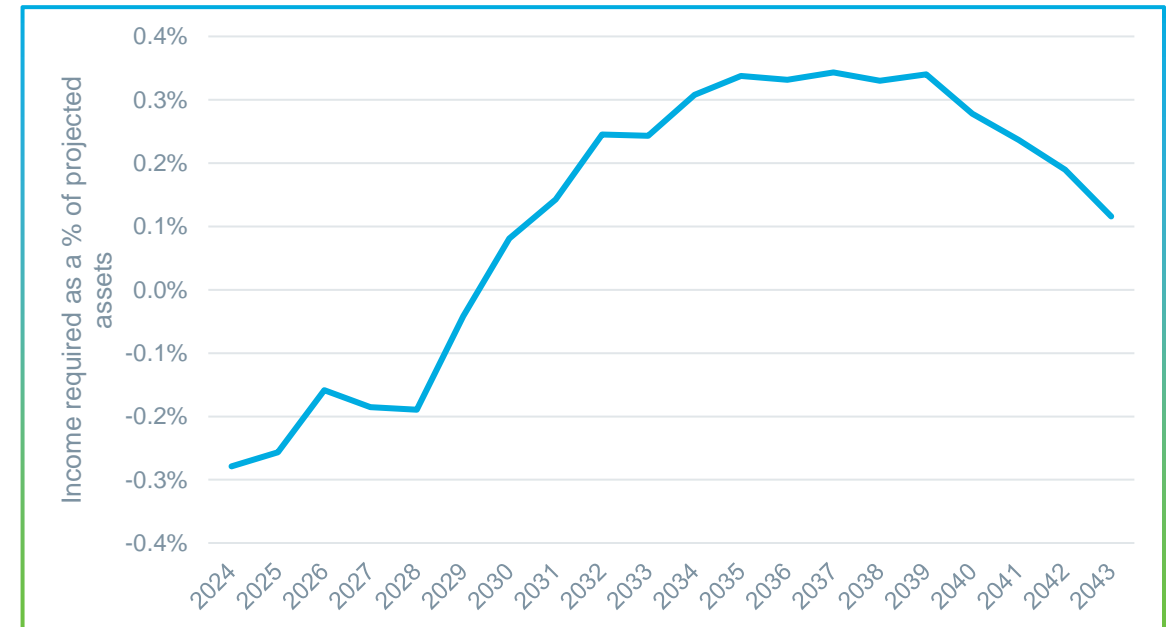
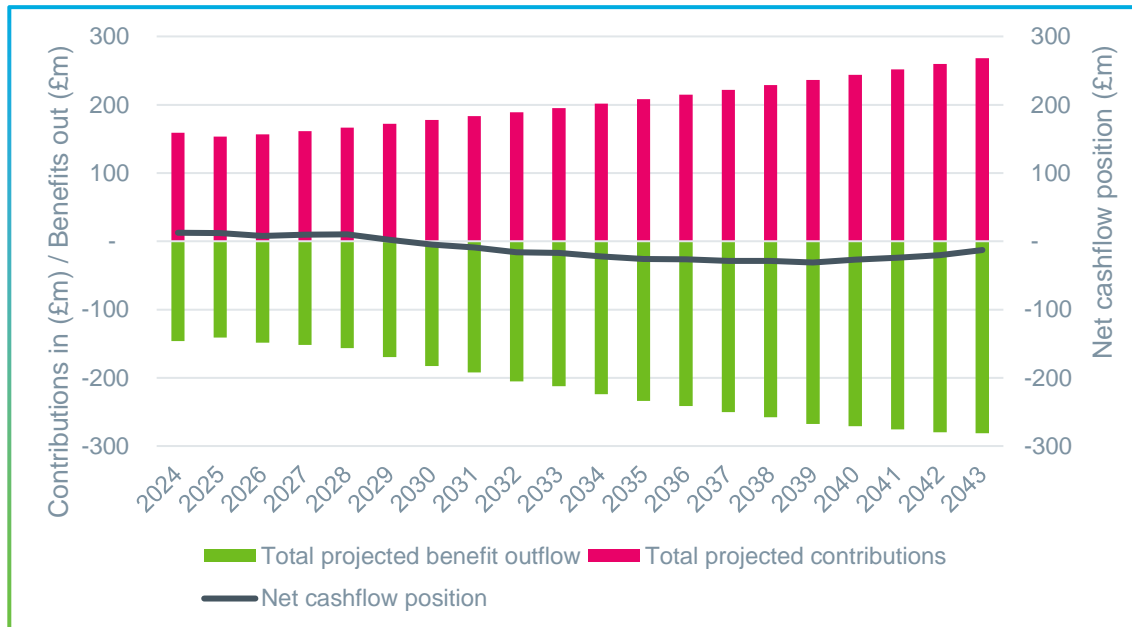
Notes

New entrants are assumed to replace leavers, and are implicitly allowed for in the income cashflow by assuming the payroll grows with inflation.

The years along the x-axis refer to the year-end i.e. 2024 means the 2023/24 financial year (from 1 April 2023 to 31 March 2024).

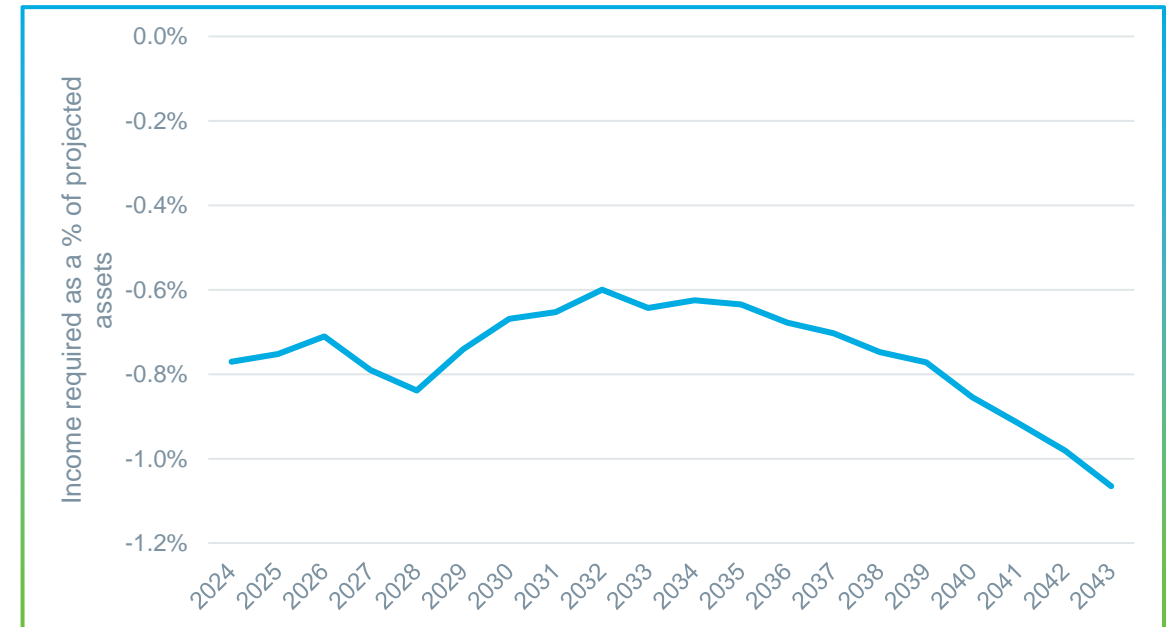
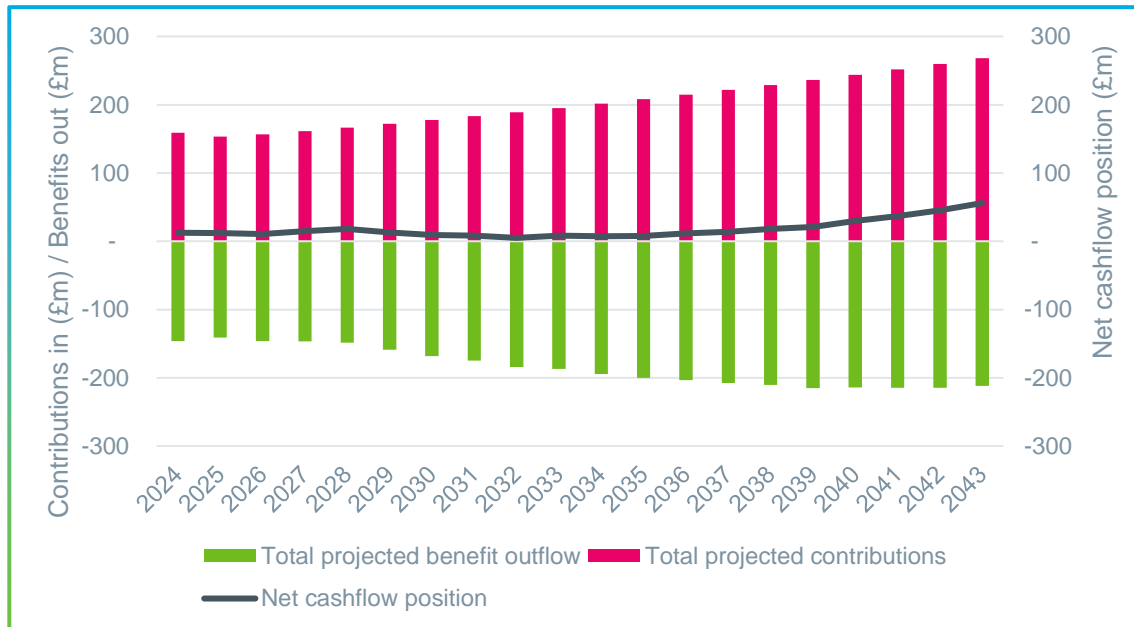
Payroll is assumed to grow at 3.2% pa (in line with the formal valuation), however allowance has been made for national local government pay award information in 2023 and 2024.

Whole fund net cashflow (baseline scenario)



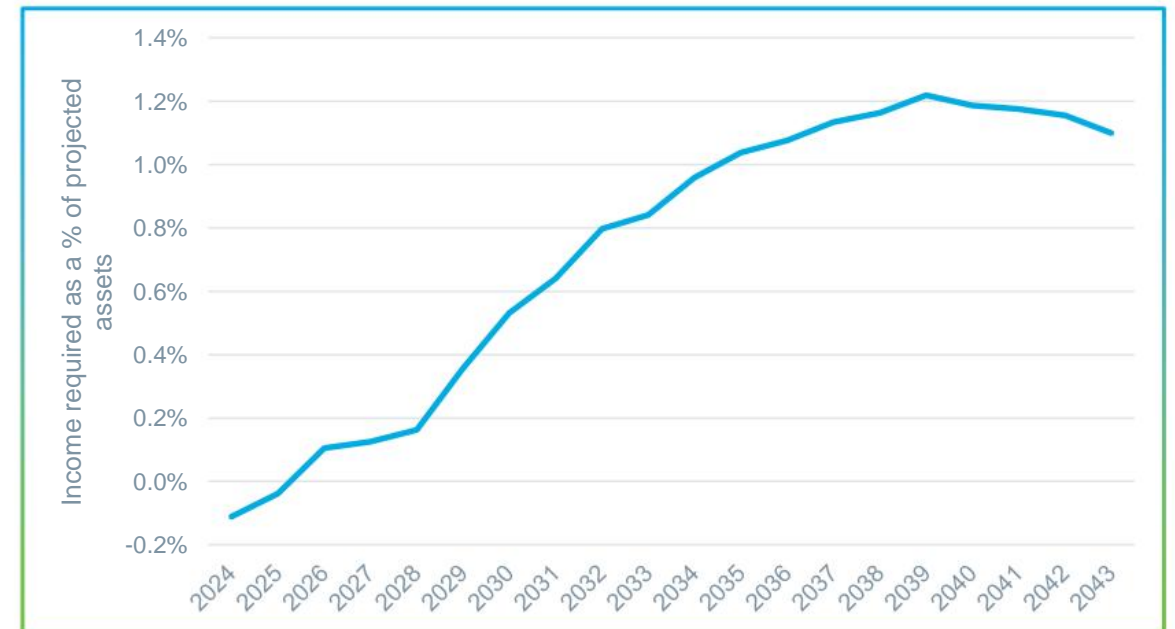
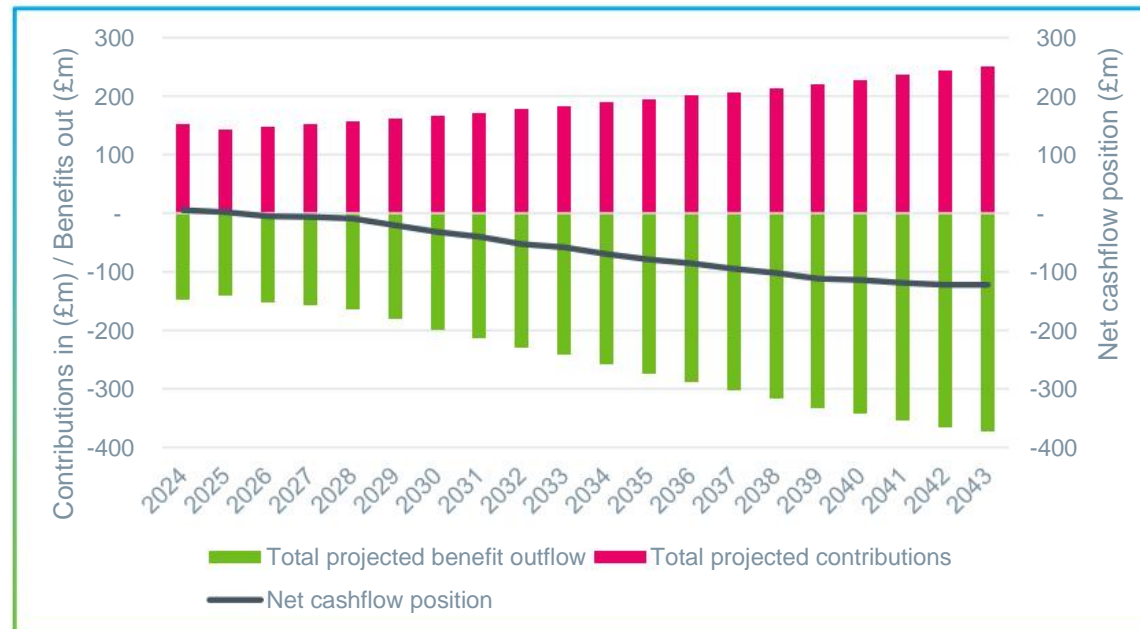
Benefit outflow is expected to exceed contribution income by 2030. However, the Fund's current income yield from assets (c.0.5% pa) would be sufficient to meet the shortfall from contributions over the next 20 years (requiring no more than c.0.4% yield).

Whole fund net cashflow (recession scenario)



Relative to baseline, a “hard landing”, ie lower inflation would improve the Fund’s net cashflow position in future years.

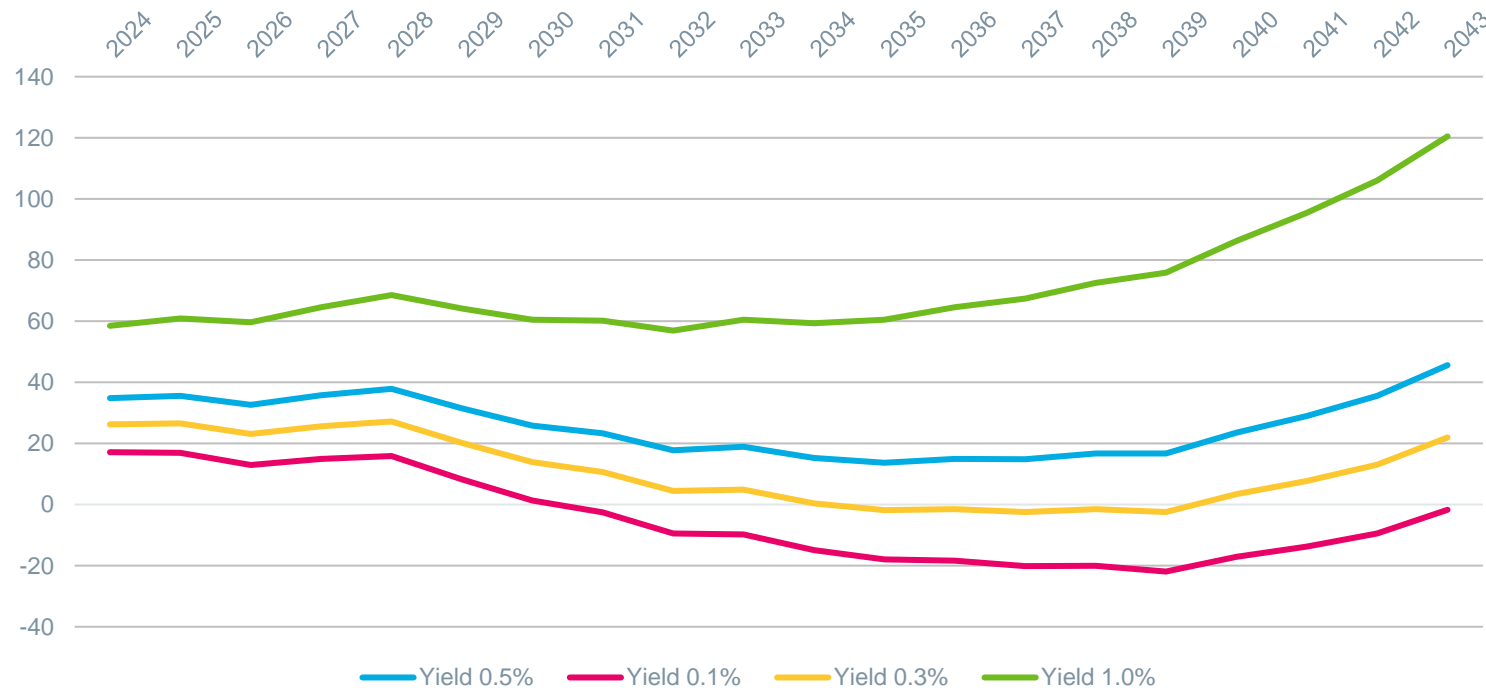
Whole fund net cashflow (high inflation scenario)



A high inflation scenario would worsen the Fund's cashflow position in future years, with a substantial gap opening up (assuming pay increases remain at 3.2% pa) in the longer term. This would need to be managed by a higher level of income from the Fund's assets (in excess of 1.2% pa).

Investment yield sensitivity

Sensitivity of net cashflow to investment income yield



Notes

This highlights the sensitivity of the cashflow position to the investment income yield. For example, a yield of 0.5% pa results in a positive cashflow position for the majority of the 20-year period under investigation (baseline scenario).

A yield of 0.1% pa (as shown) may result in a cashflow negative position for the majority of the 20-year projection period.

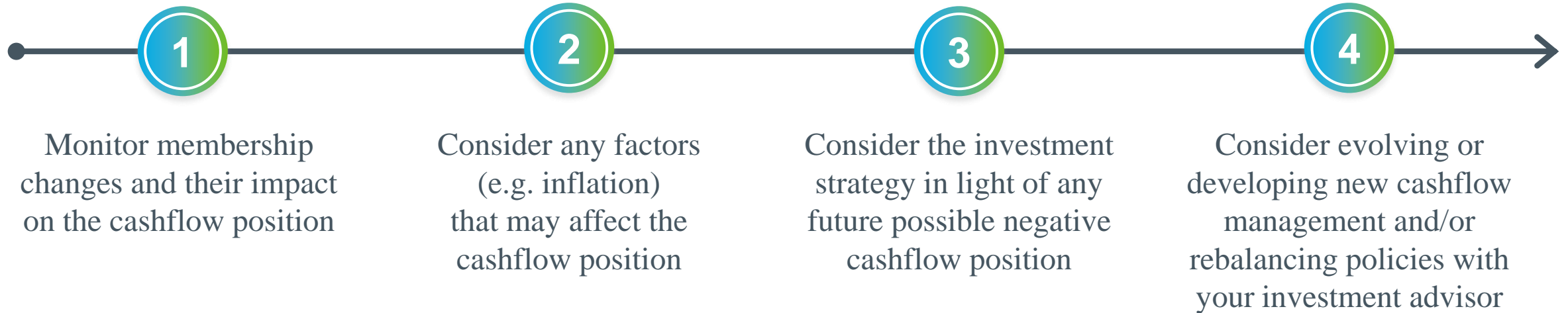
Based on the latest Fund accounts, the current investment income yield (net of investment management fees) is around 0.5% pa. This level of yield results in a positive cashflow position over the period (the blue line), meaning the Fund may not have to increase income generation or sell assets to continue to meet pensions obligations as they fall due.

This highlights the key role that the Fund's investments play in ensuring there is enough liquidity within the overall strategy (funding and investment) to meet benefit payments.



Next steps

Next steps



Reliances and limitations

APPENDIX 1

Reliances and limitations

This paper is addressed to Cambridgeshire County Council as Administering Authority to the Cambridgeshire Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of projecting the expected cashflows of the Fund over a 20-year time horizon. It has not been prepared for any other purpose and should not be used for any other purpose.

The cashflow projections are based on a specific set of deterministic assumptions, which are highly unlikely to be borne out exactly. We therefore do not claim that the future will exactly match the figures in this paper. The results should be used to give an indicative idea of the Fund's medium term cashflow requirements only.

Any party must accept full responsibility for establishing that the cashflows are appropriate for the purpose to which they want to put them and any decisions that are taken based on their analysis. We cannot be held responsible for any losses sustained as a result of third parties relying on the cashflows provided, or if the cashflows are used for any inappropriate purpose

The extent of the deviations from the assumptions underpinning the cashflow projections depends on uncertain economic events as well as other factors that are not known in advance such as members' decisions, variations in mortality rates, retirement rates and withdrawal rates, fluctuations and rates of salary increase, and the numbers and ages of future new entrants which cannot be accurately predicted. In addition, there could be changes in the regulatory environment and possible changes in retirement benefits. These other uncertainties are often not related to any particular investment and economic eventualities.

Three of the important uncertainties are the:

- (a) Rate of pension increases, the vast majority of which increase at the annual increase in CPI inflation
- (b) Extent to which members elect to exchange pension for cash at retirement
- (c) Level of future payroll and contribution rates which will determine the amount of contributions paid into the Fund

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing.

This report may be shared with the Fund's independent advisor for information purposes only but may not be passed onto any other third party (such as including in the public part of the Pension Committee & Board's meeting papers) except as required by law or regulatory obligation, without prior written consent of Hymans Robertson LLP.

In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100
- TAS300.

Thank you

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Cambridgeshire Pension Fund Committee/Investment Sub Committee Agenda Plan

Meeting Date	Agenda item	Lead officer
28/3/2024 PFC	Administration Report [standing item]	M Oakensen
	Business Plan [standing item]	M Whitby
	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Plan [approval]	C Blose
	Cashflow Modelling [to note]	C Blose
	AVC paper [approval]	M Oakensen
	The Stewardship Code [to note]	B Barlow
	ACCESS Update [standing item] exempt	M Whitby
	Administration Report [standing item]	M Oakensen
	Business Plan Update [standing item]	M Whitby
June 2024 PFC	Governance and Compliance Report [standing item]	M Oakensen
	Employer Admission and Cessation Report [standing item]	C Blose
	Communication Strategy [approval]	C Blose
	Administration Strategy [approval]	C Blose
	External Audit Plan [to note]	B Barlow
	Cambridgeshire Pension Fund Effectiveness Review	M Oakensen
	Risk Monitoring [standing item] – exempt	M Oakensen

	ACCESS Update [standing item] exempt	M Whitby
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