

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 22 October 2015

**Report by:** Deputy Head of Pensions

<b>Subject:</b>	<b>Review of the Pension Fund Objectives</b>
<b>Purpose of the Report</b>	<b>To present revised Pension Fund Objectives to the Committee for discussion and agreement.</b>
<b>Recommendations</b>	<b>The Committee are asked to approve the Pension Fund Objectives</b>
<b>Enquiries to:</b>	Name: Jo Walton (LGSS Governance and Regulations Manager) Tel: 01604 367030 E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 It is considered good governance for the Fund to regularly review the relevance and effectiveness of its objectives.
- 1.2 A number of the previously agreed objectives, as detailed in section 4 of the report, have been deemed to be no longer appropriate and more objectives need to be added to ensure good governance is fully achieved.
- 1.3 The proposed new objectives for the Cambridgeshire Pension Fund which the Committee are asked to discuss and approve are found in section 3 of this report.

**2. Purpose of reviewing the objectives**

- 2.1 The purpose of the objectives is to ensure the Fund operates under a framework that has a clear direction and purpose.
- 2.2 Effective objectives need to feed into the overall business aim of the Fund. In order to achieve this, objectives need to be specific, measurable, achievable, relevant and timely. The proposed objectives have been developed to that end.
- 2.3 Reviewing the objectives is the first stage in looking at the Fund's Risk Strategy and ensuring the Fund has established its overall aim and has linked relevant objectives to this. Once the objectives have been approved the next stage is to look at how success against the objectives is measured, the risks associated with not achieving the objectives and what the Fund can do to mitigate risk.

- 2.4 At December's Committee meeting a Risk Management Policy and Risk Register which will enable the Fund to track movements in risk will be presented for consideration based on the objectives agreed at this meeting.
- 2.5 The objectives have been streamlined in some areas and have placed a greater emphasis on managing risk and ensuring the Fund is managed effectively.

### **3. Proposed objectives**

1. 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.
2. 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.
3. 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.
4. Continually monitor and measure clearly articulated objectives through business planning.
5. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
6. Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
7. Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
8. Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
9. Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
10. Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
11. Maintain accurate records and ensure data is protected and used for authorised purposes only.
12. Promote the Scheme as a valuable benefit.

13. Deliver consistent plain English communications to Stakeholders.
14. Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits.
15. Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
16. Ensure cash flows in to and out of the Fund are timely and of the correct amount.
17. 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.
18. Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
19. Maximise investment returns over the long term within agreed risk tolerances.
20. Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

### 3 Relevant Pension Fund Objectives

Perspective	Outcome
<b>Communications</b>	<ul style="list-style-type: none"> <li>• Promote the Scheme as a valuable benefit.</li> <li>• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.</li> <li>• Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.</li> <li>• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.</li> <li>• Look for efficiencies in delivering communications including through greater use of technology.</li> </ul>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li> <li>• Administer the Funds in a cost effective and efficient manner utilising technology.</li> <li>• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li> <li>• Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li> <li>• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li> <li>• Maintain accurate records and ensure data is protected and has authorised use only.</li> <li>• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li> </ul>
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li> <li>• To ensure that sufficient resources are available to meet all liabilities as they fall due.</li> <li>• To maximise the returns from its investments within reasonable risk parameters.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>

#### **4. Finance & Resources Implications**

- 4.1 The objectives are already being met through business as usual, resource will be needed to monitor effectively.

#### **5. Risk Implications**

a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
There are no associated risks with adopting the proposed objectives.		Green

b) Risk(s) associated with not undertaking the proposal

<b>Risk</b>	<b>Risk Rating</b>
The Fund loses direction in its purpose and does not practice good governance resulting in intervention from the Pensions Regulator, not managing risk to the Fund could result in reputational and/or financial damage.	Red

#### **6. Communication Implications**

<b>Website</b>	The revised objectives will be published on the LGSS website for all Stakeholders to view.
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#### **7. Legal Implications**

- 7.1 There are no legal implications to adopting the objectives.

#### **8. Consultation with Key Advisers**

- 8.1 A workshop was held with LGSS Pensions Officers and governance consultants on 13 August 2015 to formulate the proposed objectives as detailed in this report.

#### **9. Alternative Options Considered**

- 9.1 N/A

#### **10. Background Papers**

- 10.1 N/A

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Chris Malyon – 05/10/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 22/09/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 09/10/2015