PENSION FUND COMMITTEE

Cambridgeshire County Council

Thursday, 30 September 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE [Venue Address]

AGENDA

Open to Public and Press by appointment only

8. **Exclusion of Press and Public**

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)

9. **Draft Cyber Strategy**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

10. **Multiple Investment Strategies**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Pension Fund Committee comprises the following members:

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

COVID-19

The legal provision for virtual meetings no longer exists and meetings of the Council therefore take place physically and are open to the public. Public access to meetings is managed in accordance with current COVID-19 regulations and therefore if you wish to attend a meeting of the Council, please contact the Committee Clerk who will be able to advise you further.

Councillor Alison Whelan (Chair) Councillor Catherine Rae (Vice-Chair) Councillor Chris Boden Councillor Andy Coles Mr Lee Phanco Mr Matthew Pink and Mr John Walker Councillor Ian Gardener Councillor Edna Murphy Councillor Josh Schumann Councillor Alan Sharp

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

Public minutes of the Pension Fund Committee

Date: 22nd July 2021

Time: 10:00am – 12:05pm

Venue: Bluntisham Village Hall

Present: County Councillors S Corney (substituting for J Schumann), I Gardener, E Murphy, C Rae (Vice-Chair), A Sharp, A Whelan (Chair); Peterborough City Councillor A Coles; Fenland District Councillor C Boden; Lee Phanco, Matthew Pink and John Walker

Officers: M Balazs, C Blose, D Cave, F Coates, S Heywood, S Mangan, M Oakensen, R Perry, M Whitby

Advisors: C West and S Yeandle (Mercer); S Gervaise-Jones

1. Notification of Chair and Vice-Chair

The Democratic Services Officer advised the Committee that at the full Council meeting on 18th May, Councillor Alison Whelan had been appointed as Chair, and Councillor Catherine Rae as Vice Chair.

2. Apologies for absence and declarations of Interest

Apologies were presented on behalf of Cllr J Schumann – Cllr S Corney substituting.

John Walker later in the meeting declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred Members of the LGPS.

Councillor Sharp declared an interest as a Governor of Burrough Green Primary School and Bottisham Village College.

Councillor Boden declared an interest as a member of the Audit Registration Committee of the Institute of Chartered Accountants of England and Wales (ICAEW), but advised that he managed that potential conflict by having no part in the appointment of the Council or Pension Fund's external auditors, and would therefore still participate in items relating to that audit.

Matthew Pink declared an interest an active member of the pension scheme.

Lee Phanco declared an interest as Chairman of the Trustees of the Cambridge Sports Hall Trust.

3. Public minutes of the Pension Fund Committee meeting held 25th March 2021 and Action Log

The minutes of the Pension Fund Committee meeting held on 25th March 2021 were approved as a correct record.

The Action Log was noted.

4. Petitions and Public Questions

There were no petitions or public questions.

5. Internal Audit Report

The Committee considered a report from the Audit and Risk Manager on the findings of Internal Audit work during 2020-21.

The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of fieldwork and the testing carried out, Members were pleased to note that 'Substantial' assurance had been given regarding system design, i.e. the control environment in place. The assurance level reflected the auditor's view that effective and embedded procedures were in place to support pensions and that the audit identified only minor control weaknesses in how key activity was being administered.

In terms of compliance, the assurance given was 'Good'. Overall, the review found high levels of compliance with agreed procedures although the review did identify some areas that independent checks were not always undertaken, but these were exceptional.

The audit also followed up actions agreed in the 2019/2020 review, which had all been implemented.

In terms of actions for the 2020/21 review, at year end, a validation check was undertaken to ensure all data was correct. At the time of reporting, 284 queries relating to 2019-20 had not yet been resolved. It was acknowledged that resources have been prioritised on other work which had contributed to this work not being completed. There were also two issues raised relating to Independent Checks. One related to transfers in, where no independent check was required for cases up to £10,000, which was inconsistent with procedures. In addition, there was a small number of cases where the independent check was carried out by a Pensions Officer rather than a Team Leader, as per procedure.

A Member commented that he was very satisfied with the report and had no complaint about its conclusions. However, he queried why ten was were selected as the sample size for transfers out, and similarly five for pensioner deaths. Moreover, it would be helpful in future reports to provide the total population size so that the Committee had an idea of the scale of testing. If statistical analysis was not used for sampling, it was difficult for officers to know that there was statistical assurance. Officers commented that this was a valid question regarding sampling methodologies and they would circulate a response to the Committee. Action required.

It was resolved unanimously to:

Note the Internal Audit work during 2020-21.

6. Introduction to the Pension Fund Annual Report and Statement of Accounts 2020-21

The Committee considered the draft Statement of Accounts of the Pension Fund for the 2020-21 financial year.

Members noted the Provisional Audit Plan for the year ending 31 March 2021, from the Council's external auditor Ernst & Young (EY). The Audit Plan set out identified audit risks and areas of auditor focus, expected materiality levels, the scope of their audit and the planned delivery of the audit process. EY are coming to the end of their audit with only a few outstanding queries with officers.

A Member was surprised to note that EY were in the middle of their audit, noting that EY had previously stated that Phase 1 audits would be completed by 5th July, and any delay at this stage may impact on the timing of audits of local authorities (Phase 5). Officers commented on the phasing and agreed to follow this up. Another Member noted that in correspondence with EY, unrelated to the Pension Fund and local authority audits, it was noted that EY were extremely resource constrained, and were currently four months behind with private sector audits. Action required.

The Cambridgeshire Pension Fund Annual Report and Statement of Accounts set out the scheme framework, including membership of both the Pension Fund Committee and Local Pension Board; management and financial performance, investment policy and performance. The final version would be presented to the September meeting of the Pension Fund Committee. Highlights in the accounts were noted, including:

- the significant increase in asset values, by £856.4M;
- the increase in contributions (which related to a number of employers paying deficits following the 2019 actuarial valuation);
- the increase in benefits, corresponding to the growth of the number of pensioners.

It was resolved unanimously to:

1) Note the Audit Plan 2020-21;

2) Approves the Draft Annual Report; and

3) Notes the Draft Statement of Accounts of the Pension Fund for the 2020-21 financial year.

7. 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. It was noted that this was a standing item, considered at every Pension Fund Committee meeting.

In February 2021, the Scheme Advisory Board had published Phase 3 of the Good Governance Review, which sought to better manage the effectiveness of LGPS governance arrangements. Recommendations included the identification of an LGPS Senior Officer, the publication of specific LGPS Conflicts of Interest, and further proposals for skills, training and key performance indicators. It had been agreed by the Scheme Advisory Board's that their good governance action plan would be submitted to the Local Government Minister for consideration.

Section 3 of the report detailed the Pensions Regulator's New Code of Practice, which attempted to consolidate the 15 existing Codes of Practice into one document. Once feedback from the consultation was included, it was expected that the new Code of Practice would come into force in November 2021, the Fund would have six months to be fully compliant.

Attention was drawn to Appendix A to the report, setting out training events. A number of in-depth training sessions to cover the CIPFA Skills and Knowledge core modules, hosted by Aon, had been scheduled over the summer. These sessions were being recorded, so that they could be watched at a later date by any Members unable to participate on the scheduled dates.

Whilst appreciating that the detailed guidance was not yet available, a Member asked if pension scheme members were aware yet of the changes taking place as a result of the Pension Schemes Act 2021, particularly in regard to transfers out. Officers commented that it was still early days, but they would come back to the Committee on this matter.
Action Required.

It was resolved unanimously to note the report.

8. Cambridgeshire Pension Fund Communication Plan

Members noted that the Committee had previously agreed a Communications Strategy in October 2020. In addition, a Communication Plan was considered by the Committee annually, in line with the Strategy. It was noted that the Employer Forum had recently moved from July to October.

Whilst acknowledging that it would vary, a Member queried the level of engagement received from scheme member surveys. Officers advised that engagement was good, but these were more like satisfaction surveys, sent out monthly to a handful of cases.

It was resolved unanimously to approve the Communications Plan

9. Employer Admissions and Cessations report

The Committee received a report on the admission of thirteen admission bodies and the cessation of six bodies.

It was noted that the relevant legislation provided for the participation of a number of different types of body in the Local Government Pension Scheme (LGPS), namely scheduled, designating and admission bodies.

Two of the admission bodies, Fusion Family and Youth Projects and Peterborough Investment Partnership, were charities, and therefore came under the discretionary category "community admission bodies".

The other eleven admission bodies, set out in the second recommendation to the report, were transferee admission bodies, where there was no discretion to the admittance to the scheme. A number of these resulted from backdated admission agreements, due either to difficulties in getting both the scheme employer and admitted body to sign the admission agreement, or older cases that were previously closed down, but where the Scheme was asked to reopen the cases by the scheme employer.

It was confirmed that for five of the six the cessation bodies listed, any pension liabilities were retained by the County Council or the relevant Academy Trust, and no exit payment or credit was required. For one of the cessations, Spurgeons, a surplus of £385K had been identified by the Fund Actuary, and officers would now assess whether an exit credit should be paid and if so, the value of that exit payment, in line with paragraph 64 of the Regulations.

A Member noted that a number of admitted bodies were also ceasing, e.g. Centre 33. Officers explained how this related to the backdated agreements, i.e. where the contract had come to an end. For some other bodies, there were separate contracts with different start and leave dates, which had to be admitted to the Scheme separately. The scheme employer was included to differentiate in these cases, e.g. for school catering and cleaning services, and it was acknowledged that this added another level of complexity, with some bodies being listed on the system multiple times.

It was resolved unanimously to:

1. Approve the admission of the following admitted bodies to the Cambridgeshire Pension Fund and the sealing of the admission agreement.

- Fusion Family and Youth Projects
- Peterborough Investment Partnership

2. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:

- ABM Catering Limited x 3
- Aramark Limited
- Aspens Service Limited
- Centre 33
- City Culture Peterborough Limited
- Compass Contract Services Limited
- Easy Clean Contractors Limited
- Goshen Multiservices Limited
- Hertfordshire Catering Limited x 6
- Industrical Site Maintenance Limited
- Lunchtime Company Limited

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

- ABM Catering Limited
- Centre 33
- Easy Clean Contractor Limited
- Edwards & Blake Limited
- Lunchtime Company Limited
- Spurgeons

10. 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).

11. Pension Fund Annual Business Plan Update report 2021-22

The Committee considered an update report on the Business Plan, highlighting key activities that had taken place since the last meeting.

It was resolved unanimously to:

1) approve the extension of the Actuarial Consultancy Services contract by twelve months (paragraph 3.3 of the report);

2) approve the additional activity to retender the legal services contract at the end of the contract date (paragraph 4.2 of the report);

3) approve the additional activity to review the Pension Regulator's revised code of practice (paragraph 4.3 of the report);

4) Note the Business Plan Update to 31 May 2021

12. Annual Investment Review

The Committee considered a report reviewing the performance of the Fund's Investment Managers for the year ended 31st March 2021.

It was resolved unanimously to:

a) Note the Mercer presentation – Annual Pension Committee Review.

Chair

Cambridgeshire
Pension Fund

Pension Fund Committee
Action log from previous meetings

Agenda Item: 2(b)

This log captures the actions from the Pension Fund Committee of the 22 July 2021 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 17 September 2021.

Outstanding actions from 22 July 2021 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
5.	Internal Audit Report	Stephen Mangan	It was queried why ten were selected as the sample size for transfers out, and similarly five for pensioner deaths. Future reports to provide the total population size so that the Committee had an idea of the scale of testing. If statistical analysis was not used for sampling, it was difficult for officers to know that there was statistical assurance. Officers commented that this was a valid question regarding sampling methodologies and they would circulate a response to the Committee.	Completed. A response was provided to the Committee on 14 August 2021 via email.
6.	Introduction to the Pension Fund Annual Report and Statement of Accounts 2020-21	Fiona Coates	A Member was surprised to note that EY were in the middle of their audit, noting that EY had previously stated that Phase 1 audits would be completed by 5th July, and any delay at this stage may impact on the timing of audits of local authorities (Phase 5). Officers commented on the phasing and agreed to follow this up. Another Member noted that in correspondence with EY, unrelated to the Pension Fund and local authority audits, it was noted that EY were extremely resource constrained, and were currently four months behind with private sector audits	Completed. Email sent 28th July 2021.
7.	Governance and Compliance Report	Michelle Oakensen	Whilst appreciating that the detailed guidance was not yet available, a Member asked if pension scheme members were aware yet of the changes taking place as a result of the Pension Schemes Act 2021, particularly in	MHCLG have yet to make any changes to the LGPS Regulations as a result of the Pension Schemes

			regard to transfers out. Officers commented that it was still early days, but they would come back to the Committee on this matter.	Act 2021. The PFC will continue to be updated on this matter.
11.	Pension Fund Annual Business Plan Update report 2021-22	Mark Whitby	A new Committee Member commented that he would be interested to see a report on Cyber Security with regards to the Pension Fund. He and another Committee Member also indicated training on this topic was desirable.	The Cyber Strategy is being presented at this meeting. Training timeline is set out in the associated Action Plan.

Cambridgeshire
Pension Fund

Pension Fund Committee

30 September 2021

Report by: Head of Pensions

Subject:	Administration Performance Report
Purpose of the Report:	To present the Administration Performance Report to the Pension Fund Committee
Recommendations:	The Pension Fund Committee are asked to note the Administration Performance Report
Enquiries to:	Joanne Walton, Governance and Regulations Manager joanne.walton@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. Key Performance Indicators – Pensions Service

2.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of the Pensions Service.

2.2 Full KPI details for the period 1st February to 31st July 2021 can be found in appendix 1.

2.3 The appendix provides details of any Red or material Amber performance breaches.

3. Receipt of Employee and Employer Contributions

3.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.

3.2 The table in appendix 2 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 July 2020 to 30 June 2021.

3.3 Details of late paying employers for December 2020 to June 2021 can be found in the private and confidential appendix (appendix 3) of the report.

4. Breaches of the Law

4.1 There are many and various laws relating to the Local Government Pension Scheme, with various individuals, including the Pension Fund Board, having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.

4.2 For the period 1 February to 31 July 2021, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	During February, March and April 2021, 16 transfer in quotes were not issued within 10 working days of receipt of all information and therefore breached the statutory deadline.	Recorded on internal breaches log. Further details can be found in Appendix 1.
	One employer in the Fund failed to submit their year-end submission by the statutory deadline.	The employer was reminded of their statutory obligations and the breach has been recorded on the internal breaches log.
	98 new starter notifications were not issued by the statutory deadline due to the Fund receiving new starter information from the employer late.	The issue has been escalated with the employer to ensure information is sent in a timely manner going forward.

5. Internal Dispute Resolution Procedure

5.1 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.

5.2 As at 31 July 2021 the following cases were in progress:

Nature of dispute	Stage 1 (The Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Issues with membership records, providing inconsistent details and delays in response.	Upheld and £1,000 awarded to member for distress and inconvenience (2 July 2021)	N/A

Nature of dispute	Stage 1 (The Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Lack of communication and another member's Lump Sum being paid into member's account	Partially upheld and an additional £150 awarded on top of the £100 already paid for distress an inconvenience. (8 July 2021)	N/A
Deferred member who was traced after having attained normal retirement age in 2012 was refused a transfer out of the LGPS	Partially upheld, in relation to the timing of the tracing exercise (21 July 2021)	N/A
Length of time to finalise early payment of benefits on ill health grounds for a terminally ill deferred member and other issues regarding payment of benefits	Partially upheld and a payment of £500 was awarded for distress and inconvenience (17 August 2021).	N/A
Seeking reinstatement / compensation for LGPS benefits that were transferred to an overseas pension scheme in 2015 (received 5 December 2019)	Not upheld (2 March 2021)	In progress. Appeal received 29 June 2021. Deadline for response is 18 November 2021.

5.3 Initial contact from The Pensions Ombudsman about a case involving recovery of an overpayment of pension that had been through both stages of the Internal Dispute Resolution Procedure during 2019/20 was received on 11 June 2021. A response was provided on 8 July 2021 which has been acknowledged by The Pensions Ombudsman in which it was indicated that due to their workload nothing further is likely to be heard in relation to this case for a period of 9 months.

6. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 1*

Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. *Objective 2*

Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. *Objective 3*

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

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

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

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

7. Risk Management

7.1 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.

7.2 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

7.3 Full details of the risks can be found in the Cambridgeshire Pension Fund Risk Register.

8. 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.

9. Finance & Resources Implications

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

10. Legal Implications

10.1 Not applicable

11. Consultation with Key Advisers

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

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Not applicable

14. Appendices

14.1 Appendix 1 Key Performance Indicators – Pensions Service

14.2 Appendix 2 Receipt of Employee and Employer Contributions

14.3 Appendix 3 Late payments of employee and employer contributions

Checklist of Key Approvals

Is this decision included in the Business Plan? No
Has this report been cleared by Section 151 Officer? Sarah Heywood – 17/9/2021
Has this report been cleared by Head of Pensions? Mark Whitby – 3/9/2021
Has the Chair of the Pension Committee been consulted? Councillor Whelan – 17/9/2021
Has this report been cleared by Legal Services? Amy Brown on behalf of Fiona McMillan – 10/9/2021

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%	February	123	117	6	95	Green	SLA target met
			March	150	140	10	93	Green	SLA target met
			April	137	129	8	94	Green	SLA target met
			May	84	76	8	90	Green	SLA target met
			June	195	183	12	93	Green	SLA target met
			July	116	116	0	100	Green	SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	February	47	47	0	100	Green	SLA target met
			March	37	35	2	95	Green	SLA target met
			April	28	26	2	93	Amber	SLA target not met
			May	53	52	1	98	Green	SLA target met
			June	55	51	4	92	Amber	SLA target not met
			July	54	53	1	98	Green	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%	February	54	54	0	100	Green	SLA target met
			March	52	52	0	100	Green	SLA target met
			April	50	36	14	72	Amber	SLA target not met[1]
			May	65	40	25	61	Red	SLA target not met[1]
			June	57	47	10	82	Red	SLA target not met[1]
			July	56	41	15	73	Red	SLA target not met[1]
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	February	29	29	0	100	Green	SLA target met
			March	45	42	3	93	Amber	SLA target not met
			April	47	47	0	100	Green	SLA target met
			May	26	25	1	96	Green	SLA target met
			June	38	38	0	100	Green	SLA target met
			July	41	41	0	100	Green	SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	February	61	58	3	95	Green	SLA target met
			March	74	73	1	98	Green	SLA target met
			April	50	47	3	94	Green	SLA target met
			May	63	63	0	100	Green	SLA target met
			June	64	63	1	98	Green	SLA target met
			July	56	56	0	100	Green	SLA target met

Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	February March April May June July	30 33 51 41 57 48	25 27 46 41 57 47	5 6 5 0 0 1	83 81 90 100 100 97	Red Red Red Green Green Green	SLA target not met[2] SLA target not met[2] SLA target not met[2] SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	February March April May June July	6 29 15 45 23 21	6 27 15 42 23 21	0 2 0 3 0 0	100 93 100 93 100 100	Green Green Green Green Green Green	SLA target met SLA target met SLA target met SLA target met SLA target met SLA target met

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

Amber: If there is a statutory target - below SLA target, but all within statutory target.
If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

Red: If there is a statutory target - below SLA target and not within statutory target.
If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target.

[1] Payment of pension benefits from deferred membership status – From April, staff resource issues in this area has impacted performance with additional pressure of increases in active retirements and estimate requests. There is now a new team member to help address the workload, once the member is fully trained it is expected that performance will improve.

[2] Provide transfer-in quote to scheme member – During February to April there was an issue with staff performance in this area, this issue has now been resolved

Appendix 2 - 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
July 2020	99.3	0.7	100	0
August 2020	99.6	0.4	99.6	0.4
September 2020	99.8	0.2	99.8	0.2
October 2020	100	0	100	0
November 2020	100	0	100	0
December 2020	100	0	100	0
January 2021	100	0	100	0
February 2021	100	0	100	0
March 2021	100	0	100	0
April 2021	99.2	0.8	99.6	0.4
May 2021	99.8	0.2	99.8	0.2
June 2021	99.8	0.2	99.8	0.2
Average for period	99.8	0.2	99.9	0.1

Cambridgeshire Pension Fund

Pension Fund Committee

Date: 30 September 2021

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2021/22
Purpose of the Report:	To present the Business Plan Update for the period 1 June 2021 to 31 July 2021
Recommendation:	The Pension Fund Committee is asked to: Note the Business Plan Update to 31 July 2021
Enquiries to:	Mark Whitby, Head of Pensions mark.whitby@westnorthants.gov.uk

1. Background

1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period up to 31 July 2021.

1.2 A full list of the key fund activities for the 2021/22 financial year can be found in appendix 1 of this report.

2. Variances against the forecast of investments and administration expenses

2.1 The tables in appendix 2 provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2021.

3. Key activities

3.1 Re-tender for strategic investment advisory services

3.1.1 Background: This continued the work undertaken in 2020/21 to re-tender the investment advisory services contract that was previously awarded to Mercer LLC that expires on 30 September 2021 by performing a mini competition on the National LGPS Framework. The November 2020 Investment Sub-Committee approved the timetable and the proposed contract term for the Consultancy re-tender and approved the launch of a re-tender for the Investment Management Performance Reporting contract currently provided by Mercer, should this be necessary. This was a joint procurement with the Northamptonshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

3.1.2 Key milestones:

Key Milestones	Dates	On target for completion?
Notify successful supplier	April 2021	Completed
Complete Consultancy procurement / complete National Frameworks Order	June 2021	Procurement complete. In negotiation over performance reporting aspects. Rescheduled for September/October 2021
Complete Management Performance Reporting procurement/ complete National Frameworks Order, if required	June 2021	Not applicable
Transition/handover (including historical performance data)	July 2021 to September 2021	Not applicable
New contract begins	1 October 2021	On target
Strategy health check	31March 2022	On target

3.1.3 Update: No planned activity scheduled for the reporting period.

3.2 Retender for global custody services

3.2.1 Background: This continues the work undertaken in 2020/21 with Funds in the ACCESS pool to launch a revised framework for Global Custody Services under the National LGPS Frameworks. The Pension Fund Committee approved in principle the collaborative procurement of a global custodian, alongside ACCESS partners, in sufficient time to transition the Fund's custody arrangements to the chosen provider (if a change from the current provider) before the expiry on 30 September 2021 of the Fund's extended contract with Northern Trust. Delivery of this activity is dependent upon collaboration with ACCESS partners in calling off the new framework.

3.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with ACCESS partners to call off a common custodian.	December 2020 to 30 September 2021 (revised date, formerly June 2021)	On target
Complete transition to the new custodian (if required).	July 2021 to September 2021	Not applicable

3.2.3 Update: The successful supplier is the Fund's incumbent Custodian, Northern Trust. As no transition activity is necessary the first milestone date has been extended to 30 September 2021. The remaining actions are for Northern Trust to agree to the Framework Order Form and for the parties to sign, which for the Fund will require the Council's seal.

3.3 Review contracts for actuarial, benefits and governance consultancy services

3.3.1 Background: The existing separate contracts for actuarial, benefits and governance consultancy services are due to expire on 31 March 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether the separate contracts should be extended together or if it is appropriate to conduct procurements earlier to tie in with future activity required from these contracts. The procurement will be on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	June 2021	Completed.

3.3.2 Update: It was agreed at the July Committee meeting that the Actuarial Services contract would be extended by 12 months and to retender for Benefits and Governance Consultancy Services in line with the expiry of the existing contract on 1 April 2023.

3.4 Retender for pensions administration and pensioner payroll platform

3.4.1 Background: The Fund currently uses Aquila Heywood Ltd’s Altair product as its pensions administration and payroll platform. The contract with Aquila Heywood Ltd was extended in September 2021 by a further three years to enable minimum disruption with the commencement of the Future Northants programme, the pandemic and the forthcoming work required of the age discrimination remedy (McCloud).

A competitive procurement process will need to be undertaken using the National LGPS Framework at least 18 months in advance of the end of the existing contract (September 2024) to ensure that there is sufficient time to complete a successful migration of data if a new supplier is procured.

3.4.2 Key milestones:

Key Milestones	Dates	On target for completion?
Obtain and complete National LGPS Framework documents	September 2022	On target
Commence procurement process	1 April 2023	On target
Award contract to successful supplier	1 October 2023	On target
Start date of contract	1 October 2024	On target

3.4.3 Update: No planned activity scheduled for this reporting period.

3.6 Review Business Continuity Plan

3.6.1 Background: The Business Continuity Plan (BCP) covering the Fund's governance and administration will need to be reviewed following the creation of the new unitary authority (and administering authority), West Northamptonshire Council on 1 April 2021 to ensure the arrangements previously in place remain so to support the delivery of the Pensions Service. In addition, it is now business as usual to ensure that the Fund's external suppliers such as those that provide and host the pensions administration and payroll platform, regularly supply detailed confirmation that they have satisfactorily carried out disaster recovery and penetration testing.

3.6.2 Key milestones:

Key Milestones	Dates	On target for completion?
Draft revised BCP utilising new Lead Authority (West Northamptonshire Council) BCP template	By October 2021	Rescheduled - by November 2021
Scrutiny of business continuity arrangements by the Local Pension Board	November 2021	Rescheduled to January 2022
Update the Pension Committee on business continuity arrangements.	December 2021	Rescheduled to March 2022

3.6.3 Update: The new West Northamptonshire Council business continuity template was provided to the Fund in September 2021. As the sourcing of the template took longer than initially anticipated work on the cyber resilience activity was prioritised. Work on the business continuity plan will resume once work on cyber asset mapping has concluded.

3.7 Develop the Fund's cyber-resilience strategy

3.7.1 Background: The Pensions Regulator and other industry bodies have expressed the concern that pension funds are not taking sufficient positive action to prevent themselves (including scheme members) from being victims of cyber-crime. In particular, the Regulator is concerned that LGPS Funds are relying too much on their respective administering authorities to put appropriate measures in place to protect Fund assets and data.

Work was undertaken in 2020/21 to assess the Fund's level of Cyber-Resilience through a survey conducted by a specialist cyber resilience team at Aon, the Fund's governance advisers. The survey results highlighted a number of activities to be undertaken to demonstrate improved resilience which will be undertaken during the course of 2021/22.

3.7.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop a cyber-resilience strategy and action plan.	April to June 2021	Completed

Undertake mapping of data and asset flows.	April to June 2021	In progress – expected to complete July 2021
Submit survey to higher risk suppliers to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback.	April to June 2021	Survey to be issued November 2021 and responses analysed by February 2022
Pension Fund Board to provide scrutiny of cyber-resilience strategy and action plan.	July 2021	Completed
Pension Fund Committee to approve cyber-resilience strategy, incident response plan and action plan.	October 2021	On target

3.7.3 Update: A cyber-resilience strategy and action plan has been developed and was presented to the Pension Fund Board on 2 July 2021 for review and comment. More time is required to source a suitable survey to assess the cyber-resilience safeguards of the Fund's suppliers and so the completion of that part of the activity has been rescheduled to October 2021.

3.8 Obtain the Pension Administration Standards Association (PASA) accreditation

3.8.1 Background: Obtaining the PASA accreditation will demonstrate to the stakeholders of the Fund that quality operations are in place where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions administration services. Once achieved the accreditation is granted for a three-year period subject to an annual certification process.

3.8.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence preparation and collation of assessment material.	April 2022	On target
Provide information to PASA for assessment.	March 2023	On target
Hold site visit and receive assessment results	2023/24	On target

3.8.3 Update: No planned activity scheduled for this reporting period.

3.9 Complete the Guaranteed Minimum Pension Rectification

3.9.1 Background: Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20 however following the delay in HMRC issuing the final file of data, the rectification stage was not able to commence during 2020/21 but is now ready to commence in 2021/22 but with the same anticipated completion date as previously estimated.

3.9.2 Key milestones

Key Milestones	Dates	On target for completion?
Produce project plan to rectify the member records that require amendments.	April 2021	Completed
Implement project plan.	June to December 2021	On target

3.9.3 Update: Data supplied by ITM for the rectification of records has been reviewed. The conclusions of the review have been returned to ITM and the final files are expected to be received by the end of September. Once received the files will be uploaded to the system and the rectification process will continue.

3.10 Prepare for the application of the McCloud age discrimination remedy

3.10.1 Background: As a result of the ruling in the McCloud it will be necessary for LGPS Funds to look at every affected to see if the impact of the remedy requires an amendment to the member's accrued benefits. MHCLG released a consultation in 2020/21 detailing proposed amendments to the LGPS regulations as a result of the remedy and a response to the consultation is still pending. It is understood that LGPS Funds will need to begin work on rectifying records in 2022/23 and in the meantime an exercise is required to collect data relevant to the accurate calculation of the remedy, namely, hour changes and breaks in membership, where this has not previously been provided by scheme employers.

3.10.2 Key milestones:

Key Milestones	Dates	On target for completion?
Issue data collection template to identified employers.	June 2021	Delayed – Contract agreed with Aquila Heywood. Project plan agreed targeting October 2021 template issue to scheme employers.

Work with employers to collect the data required.	June 2021 to October 2021	Rescheduled to October to December 2021
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022	Still targeting completion by March 2022
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from MHCLG).	On target
Application of the revised underpin (following release of amended LGPS Regulations).	Expected to commence in 2022/23 (MHCLG to provide guidance on this matter, including time period within which this work will be undertaken).	On target

3.10.3 Update: An agreement has been reached between the Pensions Service and Aquila Heywood to use their template and technical resources to assist the Fund in obtaining and uploading revised member data from scheme employers. A project plan has been agreed with Aquila Heywood which has resulted in a revised timeline for this project as set out above.

3.11 Prepare for the 2022 Valuation of the Pension Fund

3.11.1 Background: Work with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund. The valuation date is 31 March 2022 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

3.11.2 Key milestones:

Key Milestones	Dates	On target for completion?
Develop valuation plan with Fund Actuary	April to June 2021	Completed
Undertake pre-valuation activities	July 2021 to March 2022	On target
Valuation of the Pension Fund	April 2022 to March 2023	On target
Triennial valuation results published	31 March 2023	On target
Implementation of revised employer contribution rates	April 2023 onwards	On target

3.11.3 Update: A plan and timeline for valuation activities has been agreed with the Actuary and key preparation activities commenced in August 2021. Activities at this stage including providing membership data to the actuary to begin data cleansing activities; contribution rate modelling for large Scheduled bodies including large Councils and the Police and Fire authorities and analysis of the results from employer covenant reviews.

3.11.4 The action plan can be found in Appendix 3 of the report.

3.12 Processing of undecided leaver records

3.12.1 Background: 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. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

The Fund will treat a case as a backlog case if it is six months or more from the date of notification by the scheme employer. Cases within six months of notification will be identified as business as usual cases. Statutory disclosure requirements are completed immediately on notification of an exit by the scheme employer.

3.12.2 Key milestones:

Key Milestones	Date	On target for completion?
Baseline volumes and develop action plan	April to June 2021	Completed
Process cases in accordance with action plan	Throughout 2021/2022	On target
Process cases in accordance with action plan	2022/2023	On target

3.12.3 Update: Work has commenced on processing status 2 cases on a regular basis in accordance with the action plan within the operations and projects teams. Regular reporting is being undertaken to appropriately monitor casework progress and to highlight any areas which need prioritising. A recruitment process is currently underway for officers within the projects team, these positions will assist with increased processing within the team to meet the requirements of the action plan going forward.

3.12.4 The number of cases identified as being older than six months as at 31 July 2021 was 8,756.

3.13 Scope and conduct potential liability reduction exercise

3.13.1 Background: The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership within the LGPS to be awarded a pension entitlement and with the member not having claimed a refund) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment, extinguishing the Fund from any future liability.

It has become increasingly common for pension schemes to look at ways of reducing the number of such records, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

3.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Conduct exercise (to review and offer refund options to members).	April 2021 to March 2022	On target
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023	On target

3.13.3 Update: As at 31July 1,608 (23.72%) out of 6,781 members have been contacted and given the opportunity to claim a frozen refund. During June and July 80 members have either received a refund, transferred out or aggregated with a new record.

3.14 Implement multiple investment strategies

3.14.1 Background: With an increasing number and variety of scheme employer participating in the Fund it is prudent to consider whether greater flexibility is required to meet the different funding requirements of these scheme employers, who may have different investment risk appetites and whose scheme membership may have vastly differing levels of maturity. This project will investigate the creation of a small number of "investment buckets" into which different categories of scheme employer could be allocated.

This activity builds on the investigatory and scoping work carried out in 2020/21.

3.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Consider impact modelling by Fund Actuary.	April 2021 to May 2021	Completed
Pension Fund Committee to decide whether to proceed.	July 2021	Rescheduled to 30 September Committee
Devise and implement action plan.	August 2021 to September 2022	Contingent on above decision. Rescheduled - action plan to be devised in October 2021 with implementation up to September 2022

3.14.3 Update: A separate report and recommendation is being delivered as part of this meeting.

3.15 Conduct specific employer covenant monitoring

3.15.1 Background: Officers are working with the Fund Actuary and Price Waterhouse Cooper (PWC) to carry out covenant assessments of those employers consider to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PWC to carry out a covenant assessment and for the Actuary and PWC to advise on the results and appropriate actions to be taken.

3.15.2 Key milestones:

Key Milestones	Dates	On target for completion?
Issue and collect covenant monitoring questionnaire to relevant employers	April 2021 to June 2021	Completed
Issue collated responses to PWC for analysis	July 2021 to August 2021	Completed
Discuss results and next steps with the Actuary and PWC	September 2021 to October 2021	On target
Incorporate results of covenant monitoring into 2022 valuation planning	November 2021 to March 2022	On target

3.15.3 Update: Responses to the employer covenant assessment have been provided to PWC who are now analysing the results and preparing a report for discussion with officers and the Fund Actuary.

3.16 Continue development of the asset pool

3.16.1 Background: The ACCESS asset pool development is a long-term project. 2021/22 will see the Fund's final liquid assets transfer into the pool as the remaining tranches of sub-funds are established in the asset pool. In parallel, ACCESS is developing a pool level solution for investing in illiquid assets. The Fund has additional sub-fund requirements not yet part of the ACCESS launch plan. Engagement with ACCESS partners is required to promote these requirements, including around Responsible Investment, in order to achieve timely inclusion.

Dates for completion are dependent upon the approval of the Joint Committee for creating the necessary sub-funds, FCA approval and resolution of other limiting factors. The dates reflect the targets for submission of business cases for the respective sub-funds to the asset pool.

3.16.2 Key milestones:

Key Milestones	Dates	On target for completion?
Liquid Assets – implement tranches as they arise.	2021/22 to 2022/23	On target
Illiquid Assets – Continue to support the illiquid assets pooling solution.	2021/22 to 2022/23	On target
Promote the Fund's requirements.	2021/22 to 2022/23	On target

3.16.3 Update: Link have put in place insurance to meet their obligations under the Operator Agreement, by adopting a solution which has been supported by the pool's advisers and this was noted by the ACCESS Joint Committee on 25th June 2021.

An additional sub-fund was launched in July and progress has been made to resolve operational issues with other sub-funds previously on hold. The proposed launch date for the M&G Alpha Opportunities fund in which the Fund will be investing, has been postponed from July 2021 to early November due to the need to implement additional reporting processes but primarily because the other investing authorities cannot resource the transition into the sub-fund sooner due to conflicting priorities.

Other sub-funds requiring systems changes to be implemented by Link, their Custodian and the Depository – Northern Trust, which were originally planned for the first quarter of 2021 are delayed with a revised launch date late in October 2021.

The process to appoint an Emerging Markets equities manager is on hold until the ACCESS Joint Committee on 6th September 2021 has reviewed the findings of a report on the governance of the process and has approved the proposed next steps.

3.16.4 Illiquid assets.
The procurement for an implementation adviser went live on 9th July 2021 with members of the ACCESS Non Listed Sub Group meeting in the week beginning 9th August to review supplier responses. It is expected that it will take a number of years to complete the roll-out of all component building blocks of proposed solution (comprising the different sub-classes of Alternative assets).

3.16.5 Promoting the Fund's requirements.
Officers have been instrumental in developing a template for requesting additional sub-funds and this has been populated with the request to launch a sub-fund for the BlueBay Multi Asset Credit fund in collaboration with Northamptonshire and Hertfordshire who also have a requirement for this manager sub-fund.

3.1 Review the Fund's Responsible Investment Policy

3.17.1 Background: This continues the work undertaken in 2020/21 to revise the Fund's Responsible Investment (RI) Policy for incorporation in the Investment Strategy Statement (ISS). The revised ISS was issued for consultation during Q1 2021/22 and survey feedback will be considered by the Pension Fund Committee along with any required changes to the ISS.

The Fund will also work with its advisers, partner ACCESS funds and Link to develop a governance and reporting framework to monitor compliance with the Fund's RI Policy.

3.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021	Completed
Pension Fund Committee approval of revised ISS	October 2021	Deferred to the PFC in December 2021 following a review of revised ISS by the ISC in September.

3.17.3 Update: The consultation period closed in mid-July and officers have summarised the responses. A session for members of the PFC and Local Pension Board to review responses is scheduled for 4th August 2021. A revised ISS will be presented to the ISC in September 2021 and the outcome reported to the PFC in December 2021 as there is insufficient time before the September PFC meeting to process the findings of the ISC.

3.18 Review the Property Strategy

3.18.1 Background: The Fund's Property investments comprise a multi manager mandate managed by CBRE and residential investments in the Private Rented Sector and Shared Ownership property funds managed by M&G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

The output of the review will be used to inform the Fund's requirements from the ACCESS illiquid asset programme, the implementation of which will be dependent upon the path to migrate to the ACCESS solutions.

3.18.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence the review	October 2021	On target
Complete the review and submit report to the Investment Sub Committee	February 2022	On target
If a change to Strategic Allocation, approval by Pension Fund Committee	March 2022	On target
Communicate the Fund's requirements to the ACCESS pool	April 2022	On target

3.18.3 Update: No planned activity scheduled for this reporting period.

3.19 Review of Performance Reporting and Benchmarks

3.19.1 Background: This review will focus on the efficient measurement of the Fund's wide-ranging investment mandates in order to appropriately gauge that those mandates are delivering expected levels of return and, indeed, meeting the strategic investment needs of the Fund. The existing performance reports are comprehensive and complex, however, there is concern that they contain inappropriate benchmark comparisons and complicate effective decision-making. Wider considerations such as delivery of responsible investment requirements further impact this subject.

The sources of information for performance reporting reflect the wide-ranging number of mandates the Fund has and the quality and timeliness of information available from those sources.

This review will evaluate the strengths and weaknesses of the current report and explore options to improve the quality and clarity of reporting.

The key participants will be Officers, the Fund's consultant and Independent Adviser utilising other third parties as required, with a report on the outcome presented to Investment Sub Committee members.

3.19.2 Key milestones:

Key Milestones	Dates	On target for completion
Commence the review	April 2021	Completed
Report to the Investment Sub-Committee	November 2021	On target
Implement revised reporting	March 2022	On target

3.19.3 Update: Mercer are refreshing their initial proposal to reflect their latest performance report template. Officers will be working with Mercer to produce a proposal for consideration at the November meeting of the ISC.

4. Additional key activities for 2021/22

4.1 Review contract for specialist pensions legal services

4.1.1 Background: The existing contract for specialist pensions legal services is due to expire on 4 February 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether to extend this contract or extend for a further 12 months. The procurement will be on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

4.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Decision whether to procure or extend each contract	February 2022	Decision at March 2022 Committee

4.2.3 Update: No planned activity scheduled for this reporting period.

4.2 Review the Pension Regulator's revised Code of Practice

4.2.1 Background: In March 2021 the Pensions Regulator launched a consultation on its revised code of practice. The code of practice sets out how the Pensions Regulator expects LGPS Pension Committee Members, Board Members, Section 151 Officers and administrators to administer, govern and manage their pension schemes. The revised code consolidates (with updates and amendments) most of the existing 15 codes of practice providing a single up to date and consistent source of information. The revised code is expected to come into force in November 2021 from which point pension schemes have six months to demonstrate full compliance with the code.

4.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Identify revisions to the code of practice that require changes to processes, policies and strategies and produce an action plan to achieve compliance with the new requirements within six months	November/December 2021	Rescheduled to Spring 2022 due to the code of practice release date being delayed.
Present action plan to the Pension Fund Board	January 2022	2022/23
Present progress against the action plan to the Pension Fund Board and Pension Committee	June 2022/July 2022	2022/23

4.2.3 Update: No planned activity scheduled for this reporting period.

5. Relevant Fund objectives

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

6. Risk Management

6.1 The Pension Fund 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 Pension Fund Committee and Pension Fund Board at every meeting.

6.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below:

Risk	Residual risk rating
Those charged with the governance are unable to fulfil their responsibilities effectively	Green
Failure to administer the scheme in line with regulations and guidance	Green
Pension Fund objectives not defined and agreed	Green

6.3 Please see full version of the [Cambridgeshire Risk Register]

7. Communication Implications

The Business Plan Update will be presented to the Pension Fund Committee and Pension Fund Board at each meeting.

8. Finance & Resources Implications

8.1 Any updated financial implications are set out in the relevant activities.

9. Legal Implications

9.1 Not applicable

10. Consultation with Key Advisers

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

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 Annual Business Plan and Medium Term Strategy 2021/22

13. Appendices

13.1 Appendix 1 – Full list of Key Fund Activities for the 2021/22 financial year.

13.2 Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

13.3 Appendix 3 – 2022 Valuation Action Plan

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood 17/9/2021
Has this report been cleared by Head of Pensions? Mark Whitby 3/9/2021
Has the Chairman of the Pension Committee been consulted? Cllr Whelan 17/9/2021
Has this report been cleared by Legal Services? Amy Brown on behalf of Fiona McMillan – 10/9/2021

Appendix 1 – Full list of Key Fund Activities for the 2021/22 financial year.

Activity	Area	Period	On target for this reporting period?
Retender for strategic investment advisory services	Procurement of services	April 2021 to 31 March 2022	Yes
Re-tender for global custody services	Procurement of services	December 2020 to September 2021	Yes
Review contracts for actuarial, benefits and governance consultancy services	Procurement of services	June 2021	Yes
Re-tender for pensions administration and pensioner payroll platform	Procurement of services	September 2022 to October 2024	Yes
Added July 2021 - Review contract for specialist pensions legal services	Procurement of services	February 2022	Yes
Review Business Continuity Plan	Core services and governance activities	October 2021 to December 2021	Yes
Develop the Fund's cyber-resilience strategy	Core services and governance activities	April 2021 to October 2021	Yes
Obtain the Pensions Administration Standards Association (PASA) accreditation	Core services and governance activities	April 2022 to 2023/24	Yes
Added July 2021 – Review the Pension Regulator's revised code of practice	Core services and governance activities	November 2021 – July 2022	Yes
Complete the Guaranteed Minimum Pension Rectification	Scheme member data projects	April 2021 to December 2021	Yes
Prepare for the application of the McCloud age discrimination remedy	Scheme member data projects	June 2021 to 2022/23	Yes
Prepare for the 2022 Valuation of the Pension Fund	Scheme member data projects	April 2021 to April 2023 onwards	Yes
Processing of undecided leaver records	Scheme member data projects	April 2021 to 2022/23	Yes
Scope and conduct potential liability reduction exercises	Scheme member data projects	April 2021 to March 2023	Yes
Implement multiple investment strategies	Scheme employer projects	April 2021 to September 2022	Yes

Activity	Area	Period	On target for this reporting period?
Conduct specific employer covenant monitoring	Scheme employer projects	April 2021 to March 2022	Yes
Continue development of the asset pool	Investment related activities	2021/2022 to 2022/23	Yes
Review the Fund’s Responsible Investment Policy	Investment related activities	April 2021 to October 2021	Yes
Review of Performance Reporting and Benchmarks	Investment related activities	April 2021 to March 2022	Yes

Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions (negative figures represent decrease on income and expenditure - positive figures represent increases on income and expenditure)

Fund Account	2021/22 Estimate	2021/22 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	119,000	122,000	3,000	Contributions in line with current membership numbers
Transfers in from other pension funds	23,000	8,700	(14,300)	Large transfer in from Lincolnshire (£15.5m) originally projected in 21/22 but paid in 20/21
Total income	**142,000**	**130,700**	**(11,300)**	
Benefits payable	(113,000)	(113,000)	-	
Payments to and on account of leavers	(7,000)	(11,000)	(4,000)	Demand led
Total Payments	**(120,000)**	**(124,000)**	**(4,000)**	
Net additions/(withdrawals) from dealings with members	**22,000**	**6,700**	**(15,300)**	
Management Expenses	(4,173)	(4,168)	5	See below
Total income less expenditure	**17,827**	**2,532**	**(15,295)**	
Investment income	34,000	34,000	-	
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	150,000	167,000	17,000	Actual Q1 return followed by actuarial long term growth assumption
Net return on investments	**184,000**	**201,000**	**17,000**	
Net (increase)/decrease in the net assets available for benefits during the year	**201,827**	**203,532**	**1,705**	

Management Expenses	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	(2,539)	(2,582)	(43)	See below
Total Governance Expenses	(720)	(672)	48	Consultancy costs and Cllr training lower than expected as at July 2021
Total Investment Invoiced Expenses	(914)	(914)	-	
Total Management Expenses	**(4,173)**	**(4,168)**	**5**	

Administration Expenses Analysis	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	(1,597)	(1,589)	8	
Altair administration and payroll system	(365)	(384)	(19)	Altair Insights addendum
Data projects	(49)	(76)	(27)	McCloud Change Request
Communications	(24)	(28)	(4)	
Other Non-Pay and Income	(15)	(16)	(1)	
County Council Overhead Recovery	(489)	(489)	-	TBC by the end of the financial year
Total Administration Expenses	**(2,539)**	**(2,582)**	**(43)**	

Appendix 3
2022 Valuation Timetable:

Month	Activity
Starting Aug 2021	• Data cleanse using March 2021 data • Contribution rate modelling for Council employers (plus Police and Fire), discuss and agree rates • Valuation training sessions with panel/committee and board • Employer engagement alongside covenant analysis
Nov–Dec 2021	• Assumption-setting analysis and discussion
April 2022	• Agree initial assumptions
July 2022	• Provision, validation and sign-off of valuation data
Sep 2022	• Provision of whole fund results • Provision of draft Funding Strategy Statement (FSS)
Oct 2022	• Discuss whole fund results with panel/committee • Approve draft FSS for employer consultation • Employer results discussed and agreed
Nov 2022	• FSS released for consultation • Share employer results and proposed contributions • Host employer meetings to discuss results
Dec 2022	• Agree final FSS
Dec–Feb 2023	• Consultation and discussions with employers
Mar 2023	• Agree final valuation report and certified rates
April 2023 – Aug 2024	• Supply data and liaise with GAD on Section 13 • Discuss Section 13 results

Agenda Item No: 5

Cambridgeshire
Pension Fund

Pension Fund Committee

30 September 2021

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report:	To provide the Pension Fund Committee with information on: 1. The Pension Regulator's Governance and Administration Survey 2020-21 results 2. The Scheme Advisory Board Response to consultation on the new single code of practice 3. The Scheme Advisory Board 2020 LGPS Scheme Annual Report 4. Written Ministerial Statement on McCloud 5. High Court judgment on exit credits 6. Skills and knowledge opportunities
Recommendations	That the Pension Fund Committee notes the content of the report.
Enquiries to:	Michelle Oakensen, Governance Officer Michelle.Oakensen@westnorthants.gov.uk

1. Background

1.1 Members of the Pension Fund Committee are responsible for the ongoing governance, management and administration of the Cambridgeshire Local Government Pension Scheme in conjunction with the Section 151 Officer and Fund Officers. This report provides an update on developments and issues that impact the LGPS that Members of the Pension Fund Committee need to be aware of in order to fulfil their responsibilities to the Fund's key stakeholders. The content of this report will also provide information that will support decision making in other reports presented to the Pension Fund Committee and assists in the ongoing attainment of skills and knowledge as required by the Pensions Regulator.

2. The Pension Regulator's (TPR) Governance and Administration Survey 2020-21 results

2.1 The Pensions Regulator published the results from the Public Service Pension Scheme Governance and Administration Survey 2020-21 on 1 July 2021. The survey was conducted online between January and March 2021 and aimed to track governance and administration practices among public service pension schemes. The 2020-21 survey also included new questions in response to the pandemic, pensions dashboard and action taken in relation to climate-related risks and opportunities.

2.2 The survey found little change since 2019 for the key processes that TPR monitors as indicators of performance. Two-thirds of LGPS administering authorities who responded to the survey had all six processes in place. The six key processes are:

- have a documented policy to manage board members' conflicts of interest
- have access to the knowledge, understanding and skills needed to properly run the scheme
- have documented procedures for assessing and managing risk
- have processes to monitor records for accuracy and completeness
- have a process for resolving contribution payment issues
- have procedures to identify, assess and report breaches of the law.

2.3 The results also show improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time. Unsurprisingly, most schemes identified implementing the McCloud remedy as a significant risk. Governance has generally stood up well given the unique challenges the last year has presented.

2.4 The Cambridgeshire Pension Fund participated in this survey and have all six key processes set out in Section 2.2 in place.

2.5 Please see Public service governance and administration survey 2020-21 for full details.

3. The Scheme Advisory Board (SAB) response to consultation on the new single code of practice

3.1 On 4 June 2021, the Board's secretariat, in consultation with the Investment, Governance and Engagement committee, responded to TPR's consultation on a new code of practice on behalf of the SAB.

3.2 The response covered the governance and investment elements of the proposed code and highlighted some issues specifically for the LGPS, such as the broad term of governing body and other requirements that SAB recommend are made clearer for the LGPS.

3.3 The new code of practice will no longer coming into force in November 2021 as the Pensions Regulator is still reviewing the consultation responses received. It is now expected that the code of practice coming into force in Spring 2022. The Fund will have six months in order to become compliant with the code of practice. An action plan will be produced to ensure compliance is achieved in that timescale.

3.4 Please see full consultation response for further information.

4. The Scheme Advisory Board 2020 LGPS Scheme Annual Report

4.1 On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report included:
- Total membership up by 4.2% to 6.1 million members compared with 2019.
- Total assets decreased by 4.9% to £276 billion. These assets were invested in:

- 68% pooled investment vehicles
- 14% public equities
- 6% bonds
- 3% direct property
- 9% other asset classes.

- The Local Authority return on investments over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.
- The Scheme maintained a positive cash-flow position overall, including investment income.
- Over 1.8 million pensioners paid in the year.
- LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

4.2 Please see LGPS Scheme Advisory Board Annual Report for full details.

5. Written Ministerial Statement on McCloud

5.1 On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirmed the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination.

The statement confirmed that:

- the age requirement for underpin protection will be removed
- a member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- the remedy period will end on 31 March 2022
- the underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022
- there will be two stages to the underpin calculation:
    - the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier
    - the second when the benefits are paid
- the regulations will be retrospective to 1 April 2014. We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

5.2 The Cambridgeshire Pension Fund’s remedial work is detailed in the Business Plan Update Report.

6. EMS & Amey V Secretary for State for MHCLG

6.1 From 14 May 2018, the LGPS (Amendment) Regulations 2018 introduced a requirement on administering authorities to pay any surplus (exit credit) to exiting employers. EMS exited the Scheme in June 2018. The surplus at leaving was £6.5 million. However, the administering authority (Northamptonshire County Council) had concerns about paying this amount to EMS because a ‘pass-through arrangement’ had been in place. MHCLG made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The regulations amended the exit credit rules, requiring administering authorities to decide the amount of an exit credit after taking into account relevant factors. The regulations do not apply to credits paid before 20 March 2020. Therefore, as the administering authority in this case had yet to pay EMS the exit credit, the new rules applied to it. The claimants brought a judicial review against the 2020 Regulations applying retrospectively

6.2 On 27 May 2021, the High Court handed down its judgment in the case of EMS & Amey v Secretary of State for MHCLG. The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive', and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'.

6.3 Please see full judgement for further details.

6.4 As a result of this judgement (to which Northamptonshire County Council were an interested party), West Northamptonshire Council, as the new administering authority for the Northamptonshire County Council, should now be able to determine the amount of exit credit, if any, due to EMS.

7. Skills and knowledge opportunities

7.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.

7.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, Appendix 1 lists the main events that are deemed useful and appropriate.

7.3 Requests to attend external events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

7.4 It has been recognised that the local elections have resulted in a significant change to the membership of the Pension Committee and also the Pension Board. As a result, Officers scheduled a virtual training session on 4 June 2021 for new and existing members to refresh their knowledge on the requirements of being a Pension Committee and Pension Board member. This session was recorded and is available to view for those who were unable to attend. This was followed by more in-depth training modules to cover the eight CIPFA Skills and Knowledge requirements as detailed below.

- Pensions legislations and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, and performance and risk management
- Financial markets and product knowledge
- Pensions services procurement, contract management and relationship management

7.5 All of the training modules set out in Section 7.4 can be attended live or be viewed after the event via a recording.

8. 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 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 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 changing environment.

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

9. Risk Management

9.1 The Pension Fund Committee are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

9.2 The risks associated with the Pension Fund Committee not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Those charged with governance of the Fund and Scheme 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 Board to enable informed decision making.	Green

9.3 Please see full details of the Cambridgeshire Pension Fund Risk Register

10. Finance & Resources Implications

10.1 There are no financial or resource implications connected to the contents of this report is for information only.

11. Communication Implications

11.1 Training - All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.

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

12. Legal Implications

12.1 Not applicable

13. Consultation with Key Advisers

13.1 Not applicable

14. Alternative Options Considered

14.1 There are no alternative options to be considered.

15. Background Papers

15.1 Not applicable.

16. Appendices

16.1 Appendix 1 – Schedule of virtual training events.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 17/9/2021

Has this report been cleared by Head of Pensions? Mark Whitby – 3/9/2021

Has the Chairman of the Pension Fund Committee been consulted? Councillor Whelan – 17/9/2021

Has this report been cleared by Legal Services? Amy Brown on behalf of Fiona McMillan – 10/9/2021

Appendix 1

The below training modules have been delivered as part of the CIPFA Core Competency Framework and members are encouraged to watch the recorded sessions if any of the live sessions have been missed.

Date	Event Description	Audience
21 June 2021 10:00 – 12:00	Governance and Fiduciary Duty Hosted by Aon and Squire Patton Boggs on behalf of Cambridgeshire and Northamptonshire Pension Funds Virtual Training Session (recording and slides from this session have been shared)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
1 July 2021 10:00 – 12:00	Introduction to the LGPS Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
14 July 2021 10:00 – 12:00	Pensions legislation and guidance and national guidance Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
28 July 2021 10:00 – 12:00	Local governance and pensions procurement, contract management and relationship matters Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
11 August 2021 10:00 – 12:00	Funding strategy and actuarial methods, and financial, accounting and audit matters Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
25 August 2021 10:00 – 12:00	Investments – Strategy, asset allocation, pooling performance and risk management Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
8 September 2021 10:00 – 12:00	Investments – Financial markets and products Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers

Date	Event Description	Audience
22 September 2021 10:00 – 12:00	Pensions Administration and Communications Hosted by Aon Virtual Training Session (recording of this session is available)	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers

Upcoming external training events

Date	Event Description	Audience
9-10 September 2021	LGC Investment and Pensions Summit Royal Armouries Museum & New Dock Hall, Leeds	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
8-10 December 2021	LAPFF Annual Conference Format/Venue TBC	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers
16-18 May 2022	PLSA Local Authority Conference 2022 Format/Venue TBC	Pension Fund Committee, Pension Fund Board, Officers, Section 151 Officers

Agenda Item No: 6

Cambridgeshire
Pension Fund

Pension Fund Committee

30th September 2021

Report by: Head of Pensions

Subject: Admission Bodies, Scheme Employers and Bulk Transfer Policy

Purpose of the Report: 1. To seek approval of amendments to the Fund's Admission Bodies, Scheme Employers and Bulk Transfer Policy

Recommendations: That the Pension Fund Committee:
1. Approves the admendments to the Admission Bodies, Scheme Employers and Bulk Transfer Policy

Enquiries to: Name – Cory Blose, Employer Services and Systems Manager
Tel – 07990 560829
E-mail – cory.blose@westnorthants.gov.uk

1. Background

1.1 The Admission Bodies, Scheme Employers and Bulk Transfer Policy outlines the Fund's policies regarding the treatment of admitted bodies and scheme employers in a range of scenarios, particularly their entry and exit from the Fund, and the bulk transfer of pension rights into and out of the Fund.

1.2 In September 2020 the LGPS Regulations were amended to allow the Fund to recalculate employer contributions outside of the triennial formal valuation and to allow greater flexibility around managing the exit of an employer from the Fund.

1.3 The Funding Strategy Statement was previously amended and was approved by the Committee for consultation with Scheme employers. The consultation has now closed and the amended statement has now been published.

1.4 The Admission Bodies, Scheme Employers and Bulk Transfer Policy has now been amended to reflect the current version of the Funding Strategy Statement.

2 Amendments to the policy

2.1 Ammendments to the policy document include:

- The list of Pension Fund objectives relevant to the policy document have been updated to reflect the latest version of the Pension Fund Objectives.
- Changes to reflect the new regulations on reviewing employer contribution rates and managing employer exits, introduced in September 2020 and signposting to the Fund's policies on these matters within the Funding Strategy Statement.
- The Fund's policies on contribution rates and payments have been updated to reflect that a risk based approach is now taken when setting employer contribution rates, that the Fund no longer purchases external ill health insurance and other clarifying changes.

- The Fund’s policy for tracking the funding position of employers has been updated to reflect that this now happens monthly using Hymans Robertson’s HEAT solution.
- Clarification of the treatment of funding deficits and surpluses on cessation of an employer.
- Updates to the stabilisation of employer contribution rates for Academies to reflect the latest version of the Funding Strategy Statement.
- The Fund’s policy on bulk transfers has been updated to simplify the process and reduce the need for costly actuarial negotiations.
- Addition of policies for the bulk transfer of pension obligations between Academy Trusts
- Other non-material amendments that improve the wording of the document or provide clarity without materially changing policy positions.

3. Relevant Pension Fund Objectives

3.1 To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.

3.2 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.

3.3 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.

3.4 To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

4. Risk Management

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

4.2 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
Failure to administer the scheme in line with the regulations.	Green

4.3 The Fund’s full risk register can be found on the Fund’s website: Pension Fund Risk Register hyperlink

5. Finance & Resources Implications

5.1 There are no direct finance and resourcing implications of this plan. The costs of most activities outlined in the document are recharged to the relevant employer(s) or including within the Fund’s annual administration budget.

6. Communication Implications

Direct Communications - Direct communications will be required to inform employers of the new policy

Training - Training will need to be provided to officers on the new policies.

Website – The new policy document will be uploaded to the Fund's website.

7. Legal Implications

7.1 None

8. Consultation with Key Advisers

8.1 Actuarial advice was taken when updating the policy document.

8.2 Legal advice was taken in relation to the Fund's policy on the payment of exit credits when drafting amendments for the Funding Strategy Statement. Changes to this document reflect those changes and the advice received at that time.

9. Alternative Options Considered

9.1 None available.

10. Appendix

10.1 Appendix 1: Admission Bodies, Scheme Employers and Bulk Transfers Policy (clean copy)

10.2 Appendix 2: Admission Bodies, Scheme Employers and Bulk Transfer Policy (compare copy)

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 17/9/2021

Has this report been cleared by Head of Pensions? Mark Whitby – 3/9/21

Has the Chairman of the Pension Fund Committee been consulted? Councillor Whelan – 17/9/2021

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Cambridgeshire
Pension Fund

Admission bodies, scheme employers and bulk transfer policy 2021

West Northamptonshire Council | Cambridgeshire County Council

Administered in partnership

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1 Introduction

This is the policy of the Cambridgeshire Pension Fund ("The Fund") regarding the treatment of admission bodies and scheme employers in the Fund (in particular their commencement and cessation) and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the Funding Strategy Statement and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) ("The Regulations"). These Regulations can be found here.

2 Policy objectives

The Fund's objectives related to this policy are as follows:

- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;
- 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 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.; and
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to:

- ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;
- set out the process by which new employers are admitted into the Fund, including the various requirements they need to adhere to in order to achieve that;
- Set out the approach the Administering Authority will take in relation to bulk transfers into and out of the Fund;
- ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- help employers recognise and manage pension liabilities, and the possible effect on the operation of their business;
- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- address the different characteristics of employers or groups of employers to the extent that this is practical and cost-effective; and
- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

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4 Cambridgeshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

In accordance with The Regulations every admission body must carry out, to the satisfaction of the Fund, a risk assessment, taking account of actuarial advice. This should assess the level of risk arising on premature termination of the provision of service or assets by reason of the admission body's insolvency, winding up, or liquidation.

Where the body is admitted under Paragraph 1(d) of Part 3 of Schedule 2 such risk assessment must also be carried out to the satisfaction of the scheme employer entering into the contract or arrangement with that body (the "awarding authority").

Taking account of the outcome of any risks assessments the Administering Authority will require any potential admission body to provide a suitable guarantee to the Fund, depending on the type of admission taking place, as follows:

Bodies admitted under Paragraphs 1(a), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) must provide a guarantor considered by the Administering Authority to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Administering Authority considers to have equivalent strength and coverage.

For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract, which will sometimes include charities) there is a preference for a bond or indemnity to be provided. This is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. However, the awarding authority will have to satisfy the administering authority that the form of the guarantee is sufficient to justify the exclusion of a bond or indemnity. In any case the awarding authority will be required to confirm the approach it wishes to take.

In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the Administering Authority and renewed by the body at regular intervals.

The Administering Authority reserves the right to exercise its discretion and alter the guarantor or bond requirements where the individual circumstances of an application make it prudent to do so.

4.1.2 Approval for becoming an admission body

The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the

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Fund.

All applications by bodies assessed by officers as complying with Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admissions to those fulfilling a contract), and meeting the terms of the admission agreement, will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement, and may be refused.

All applications from bodies under Paragraphs 1(a), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) will be subject to agreement by the Pension Fund Committee.

4.1.3 **Allocation of assets**

The allocation of assets at the commencement of an admission agreement will be as follows:

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract) the assets allocated will be 100% of the value at date of admission of the past service liabilities of any transferring employees; (Any alternative approach proposed by the awarding authority is subject to agreement by the Fund)
- For bodies admitted under Paragraphs 1(a) (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admission bodies other than those fulfilling a contract) the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and any relevant business agreement.
- In both cases, the assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.
- The respective admission body's asset share will be tracked on a monthly basis during the period of the admission agreement, allowing for cash flows in/out specific to the admission body and the Fund's investment returns. Note that for some admission bodies, such as those set up under a pass-through arrangement, the asset share is not tracked as the pension assets and obligations are generally retained by the awarding authority.

The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

4.1.4 **Investment strategy**

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund. Any alternative approach proposed is subject to agreement by the Fund.

4.1.5 **Contribution rates and other costs**

Admission bodies will be required to pay the employer contribution rate set out in the Fund actuary's initial report, and subsequently in the Fund's rates and adjustments certificate, issued as part of the triennial actuarial valuation of the Fund. The employer contribution is split into two parts – Primary and Secondary – as detailed in the Funding Strategy Statement and initial report, and employers must pay both parts. The rate will be set by the Fund's actuary using a risk-based approach and will be set in accordance with the Funding Strategy Statement (FSS), taking into consideration elements such as:

- the employer's funding target;
- the desired likelihood of achieving that funding target;
- the time horizon over which the funding target is to be met;
- whether the admission agreement is open or closed to new members; and
- the employer covenant and that of its guarantor (if any) and/or any bond or indemnity to be put in place.
- As well as its certified employer contributions, the admission body will be required to pay additional payments including, but not limited to:
- lump sums in relation to any early retirements or early payment of pension benefits;
- lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authority's or other bodies' costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the admission body.

All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body unless the Head of Pensions and Section 151 Officer for Cambridgeshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

The Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health pooling policy.

As set out in 4.1.6, a pass-through arrangement may be entered into in certain circumstances which moves away from some of the principles mentioned above.

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the admission body. It may be agreed that these costs are partly or wholly paid for by the awarding authority (if any).

The Administering Authority will communicate the implications to the awarding authority of a transfer and may require the revision of the contribution rate payable by the awarding authority after the transfer occurs.

The Administering Authority reserves the right to require payment by the awarding authority of a lump sum contribution to cover any deficit in respect of transferees.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.1.6 **Pass through arrangements**

In the case of a body admitted under Para 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract), and where agreed by the awarding authority and the body, the Administering Authority may allow that employer to enter into a pass-through arrangement.

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Under the pass-through arrangement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to pay additional contributions in excess of its employer contribution rate to reflect the impact of excessive pay awards to the admission body's own employees;
- may be required to provide a limited bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will continue to be required to pay strain costs in respect of non-ill-health early retirements.

In the event of cessation of the admission agreement, that agreement will clarify the position re any cessation debt / exit credit payment, etc. However, it should be noted that normally in a pass-through case there would be no assignment of assets or liabilities to the employer.

4.1.7 Ongoing monitoring of admission bodies

During the period of the admission agreement, the level of risk in relation to any guarantees, bonds or indemnities in place will be reassessed at regular intervals and the relevant admission bodies will be required to renew their bond or indemnity appropriately. As set out in 4.1.5 above, contribution rates will be reviewed at triennial actuarial valuations, however, in certain circumstances the Administering Authority will consider amending the employer contribution rate between valuations. The Administering Authority reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement.

Where an employer acts as a guarantor to an admission body or bodies, an assessment will be carried out every three years to establish the level of risk being borne by the employer in respect of its guarantees and to ensure that the strength of the guarantee continues to be to the satisfaction of the administering authority.

Furthermore, the Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. As per 4.1.5.9 above, the Administering Authority may review the employer contribution rate (i.e. outside of the formal triennial actuarial valuation cycle).

4.1.8 Cessation terms and requirements

The Administering Authority reserves the right for the admission agreement to be terminated in any of, but not limited to, the following circumstances and following unsuccessful attempts to enable the admission body to remedy the situation, where applicable:

- Where the admission body is not paying monies due to the Fund within the period required by the Fund;
- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to renew, adjust or review any bond/indemnity or to confirm an appropriate alternative guarantor;

- Where the admission body breaches any other obligations under the admission agreement, not covered above;
- Where no active members exist (and it is not expected that the admission body will acquire one or more active Fund members within the three-year period following the cessation event. In this situation the Administering Authority has discretion to defer taking action for up to three years);
- Where the employer becomes insolvent, is wound up, merged or ceases to exist; or
- On termination of a deferred debt agreement.

4.1.9 **Future cessation**

Where an admission agreement for a body that has no awarding authority or central government guarantor is closed to new entrants, the Administering Authority policy is to set contribution rates by reference to liabilities valued on the termination basis (as per 4.1.12 below). The purpose of this policy is to protect other employers in the Fund. This policy will increase regular contributions for such admission bodies and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the admission body in the affordability of its eventual cessation debt.

4.1.10 **Deferral of cessation debt**

Where an admission body has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.1.11 **Deferred debt agreement ("DDA") alternative to immediate cessation**

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

4.1.12 **Basis of termination valuation**

The Fund's general principle on the cessation of an admission body is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the Cambridgeshire County Council's Scheme of Delegation.

a) Admission bodies with a predetermined contract end date which may be specified in the admission agreement.

- **Employers at the natural end of a contract** – Once the contract is complete or the employer has completed the services it was contracted to carry out (and no plans for extending the contract are in place); the employer will leave the Fund. Under these circumstances, it is usual for the remaining active employees to transfer back to the awarding authority or into a second (or later) generation contractor.

In this scenario, the Administering Authority would expect the responsibility for the deferred pensioners and pensioners to transfer back to the awarding authority. The cessation liabilities will normally be calculated on an ongoing valuation basis since the awarding authority (and, where relevant, the next generation contractor) will be taking responsibility for funding those liabilities.

If any member is made redundant at the natural end of the contract any resulting early retirement strain will be paid to the Fund by the ceasing employer.

- **Employers that leave the Fund prior to the natural end of an admission agreement** – Under these circumstances, it will need to be established whether the current active membership will transfer to another LGPS employer or contractor and who is responsible for any residual and future liabilities in respect of deferred pensioners and pensioners (and also potentially the past and future accrual of benefits of transferring active members).

  Under the admission agreement, those liabilities that cannot be recovered via a bond/indemnity or guarantor would usually fall back to the awarding authority (who may well be the guarantor) and ideally this should be written into the admission agreement or supporting documents. The Administering Authority should be advised if the transfer agreement between the awarding authority and the admission body dictates a different approach than above.

  In broad terms, when assessing a cessation debt on early termination, liabilities may be assessed on a lower risk termination basis to protect other Fund employers.

b) Non time limited admission bodies

- The cessation liabilities and final deficit will normally be calculated using a low risk exit basis as per the Funding Strategy Statement with an allowance for further future mortality improvements.
- It is now a condition of admission that such bodies will be "sponsored" by another scheme employer or another public body or provide an indemnity or security acceptable to the Fund.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body, the sponsor (or guarantor) will be expected to assume responsibility for the assets and liabilities in the Fund, which are attributable to the admitted body. Where this is the case, the cessation valuation will normally be re-calculated using an ongoing valuation basis appropriate to the investment strategy.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body and there is no guarantor (these will generally be historical cases), then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund.

The Administering Authority reserves the right to use different funding assumptions if they are deemed to be appropriate, after taking actuarial advice.

4.1.13 **Payment of cessation debt**

The Fund's preferred and default position will be to collect the cessation payment by way of a lump sum where it is the admission body that is making the payment. The Fund's normal policy is that the payment is made within 30 days of the admission body being notified. The admission body may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

Where the cessation debt cannot be repaid by the admission body, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- by incorporating the cessation debt into the awarding authority's or guarantor's ongoing contribution rate, calculated by including the ceasing employer's assets and liabilities in the awarding authority/guarantor's share of the Fund. The Administering Authority reserves the right to require payment by immediate lump sum;
- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body or bodies depart (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;

The Administering Authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.1.14 Payment of surplus / exit credit

Where the Administering Authority determines that an exit credit may be payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer).

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

These are employers who have a right to participate in the Fund, as opposed to joining via an admission agreement. They include local authorities, town & parish councils, academy schools, and other employers listed in parts 1 and 2 of schedule 2 of the Regulations.

4.2.1 Allocation of assets

The allocation of assets at the commencement of an employer will be as follows:

- Academy conversion from LEA school – share of deficit basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the ceding local authority on the calculation date. The funding level is calculated as the ratio of the remaining assets after sufficient assets have been retained to meet the deferred and pensioner liabilities of the relevant ceding authority in full, to the value of active members' liabilities immediately prior to transfer.
- Academy free school – normally these are established with staff who have no prior LGPS service and hence will have nil assets and liabilities at the outset. If any members bring in individual transfers (whether from another Fund employer or another LGPS Fund) these will be brought in using standard GAD CETVs.
- Existing academy established as new employer, eg on failure of previous academy/trust and being brought into a Multi Academy Trust – this will normally be on the basis of all assets and liabilities (including deferreds and pensioners) being transferred from the existing academy.
- Non academy scheme employers - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and business agreement (unless a pooling arrangement is entered into as described later in this policy).

The assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

The asset share will be tracked on a monthly basis during the period of participation in the Fund, allowing for cash flows in/out of the scheme employer and the Fund's investment returns.

4.2.2 **Matched investment strategy**

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund.

Any alternative approach proposed is subject to agreement by the Fund.

4.2.3 **Contribution rates and other costs**

The employer contribution rate will be set in accordance with the Funding Strategy Statement, using a risk-based approach, taking into consideration elements such as:

- The employer's funding target.
- The desired likelihood of achieving the funding target.
- The time period over which the funding target is to be met.
- In the case of an employer permitted to designate which of its employees may join the Scheme, whether such a designation applies to all employees or is restricted.

The approach taken is to calculate an individual contribution rate such that, when combined with the employer's asset share and anticipated market movements over the time horizon, the funding target is met with a given desired likelihood. Further information is available within the Funding Strategy Statement. The employer contribution is split into two parts – Primary and Secondary – and employers must pay both parts.

However, academies may opt to pay an employer contribution rate in line with the stabilisation mechanism offered by the Fund. The mechanism keeps year to year contribution rate variations within a pre-determined range, allowing academy employers to benefit from paying stable employer contribution rates.

In addition, a Scheme employer will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authorities or other bodies costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the employer.

All lump sums in relation to non-ill health early retirement will be paid immediately by the Scheme employer unless the Head of Pensions and Section 151 Officer for Cambridgeshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

The Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health pooling policy

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the Scheme employer.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.2.4 **Ongoing monitoring of scheme employers**

The Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. As per 4.2.4.8 above, the Administering Authority may review the employer contribution rate (i.e. outside the formal triennial actuarial valuation cycle).

4.2.5 **Cessation terms and requirements**

Termination of an employer would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist; or
- Where the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

4.2.6 **Future cessations**

Where a Scheme employer is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the Administering Authority reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the employer in the affordability of its eventual cessation debt.

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4.2.7 **Deferral of cessation debt**

Where an employer has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.2.8 **Deferred debt agreement ("DDA") alternative to immediate cessation**

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

4.2.9 **Basis of termination valuation**

The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

The cessation liabilities and final deficit will normally be calculated using a low risk exit basis as per the Funding Strategy Statement. If for some reason the Fund is not able to recover the full amount of the final deficit, then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances, e.g. where employees are transferring to another LGPS employer such as the local authority, an ongoing valuation approach may be adopted for any transferring liabilities.

4.2.10 **Payment of cessation debt**

The Fund policy will be to collect this cessation payment by way of an immediate lump sum. The Fund's normal policy is that the payment is made within 30 days of the employer being notified. The employer may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

In the case of academies, it may be possible for the cessation position to be covered either by another academy trust taking on the ceasing school's assets and liabilities, or by payment of the Department for Education guarantee.

Where the cessation debt cannot be repaid by the employer, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body departs (unless the results of that valuation have already been finalised);

- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees.

The administering authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an employer paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.2.11 **Payment of surplus / exit credit**

Where the Administering Authority determines that an exit credit is payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer)
- Further details can be found within the Exit Credit Policy and Funding Strategy Statement.

4.3 Bulk transfers

4.3.1 **Calculation of bulk transfer out of the Fund**

Payments of bulk transfers from the Fund will be carried out in line with the following:

- Where the bulk transfer is to a broadly comparable scheme by virtue of a local authority or public sector outsourcing services to an employer fulfilling a contract under the ODPM Code of Practice on Workforce Matters and/or Fair Deal Guidance the transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer.
- In all other circumstances the bulk transfer, calculated on an ongoing basis, will be considered on the merits of the case. Generally, the Fund's approach is for Government Actuary's standard CETVs being paid.
- However, where the transferring employer is leaving the Fund in its entirety (for example as part of a reorganisation, or an academy moving to a Multi Academy Trust in another Fund), the bulk transfer value paid from the Fund should be equivalent to the employer's share of the assets in the Fund. In particular, this would apply where all deferred and pensioner members are also transferring (which will typically require a Secretary of State Direction).
- If an employer is leaving behind any liabilities (eg deferred and pensioner members) then the bulk transfer value to be paid should be equivalent to the employer's share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities are fully funded on a low risk exit basis.

- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme. This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.
- Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to employers fulfilling a contract, to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.

4.3.2 Adjustment to transfer payment between transfer date and payment date

Normally the transfer value will be calculated as at the date the members transfer their employment (on the Transfer Date); this value is then adjusted until the actual Payment Date, which is typically some months or years later.

There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.

There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of:
(a) applying index returns in line with the benchmark agreed at the time of the bulk transfer, and/or
(b) applying implied returns from monthly asset values.

It may subsequently be agreed between both parties to carry out a "true-up" exercise whereby the original payment amount is updated to reflect Fund returns to the Payment Date (when they become available), the difference between the original amount and the revised amount is settled between the two parties.

Where the bulk transfer is between two employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

4.3.3 Format of bulk transfer

The type of payment will usually be in cash but is at the discretion of the Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.3.4 Bulk transfers in

The Administering Authority will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.

There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation.

4.3.5 Approval process for paying or receiving a bulk transfer

The Administering Authority will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, where the proposals depart from this policy.

4.3.6 Costs

The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

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Appendix 1

Admission bodies - overriding principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to employers in the fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement (FSS)

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, (“The Regulations”) describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government (“DCLG”) issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair deal, ODPM code of practice and the direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice”, and in particular the “Fair Deal for Staff Pensions" guidance that supports “COSOP” (commonly known as ‘Fair Deal’) must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to
- move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
  where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept should be dealt with by the employers concerned outside the Fund.

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Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 ("The Regulations") governs the bulk transfer of members' pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement, then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer's pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund's administrators must also obtain members' consent to be part of the bulk transfer.

The Regulations give the Fund's actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities[1].

Bulk transfers between LGPS Funds within England and Wales: changes in the Fund

Transfers of membership between different LGPS funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS fund.

Regulation 103 of The Regulations governs the bulk transfer of members' pension liabilities between funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each fund to agree on the amount of the bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day service credits.

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[1] It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Cambridgeshire Pension Fund returns may not be available for the full period.

Bulk transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be calculated the same way as individual transfers.

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Cambridgeshire
Pension Fund
~~Cambridgeshire
Pension Fund~~

Admission bodies, scheme employers and bulk transfer policy 2021 ~~Transfer Policy 2015~~

West Northamptonshire Council
Cambridgeshire County Council
Administered in partnership

Contents

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1 Introduction

This is the policy of the Cambridgeshire Pension Fund ("The Fund") regarding the treatment of admission bodies and scheme employers in the Fund (in particular their commencement and cessation) and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the Funding Strategy Statement and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) ("The Regulations"). These Regulations can be found here.

2 Policy objectives

The Fund's objectives related to this policy are as follows:

- To ensure ~~that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of~~ employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;

- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient ~~resources~~funds are available to meet all ~~liabilities~~ members'/dependants' benefits as they fall due~~;~~ for payment.;

- ~~Ensure benefits are paid people at the right time in the right amount; and~~

- ~~Put in place standards for~~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 ~~its~~ employers.; and
- To ensure ~~these standards~~appropriate exit strategies are ~~monitored, enforced~~put in place both in the lead up to and ~~developed as necessary~~termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to—:

- ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;

- set out the process by which new employers are admitted into the Fund, including the various requirements they need to adhere to in order to achieve that;
- Set out the approach the Administering Authority will take in relation to bulk transfers into and out of the Fund;
- ensure that sufficient funds are available to meet all benefits as they fall due for payment;

- not restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;

- help employers recognise and manage pension liabilities ~~as they accrue with consideration to~~, and the possible effect on the operation of their business ~~where the Administering Authority considers this appropriate~~;

- ~~minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;~~

- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;

- address the different characteristics of ~~the disparate~~ employers or groups of employers to the extent that this is practical and cost-effective; and

- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

4 Cambridgeshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

In accordance with The Regulations every admission body must carry out, to the satisfaction of the Fund, a risk assessment, taking account of actuarial advice. This should assess the level of risk arising on premature termination of the provision of service or assets by reason of the admission body's insolvency, winding up, or liquidation.

Where the body is admitted under Paragraph 1(d) of Part 3 of Schedule 2 such risk assessment must also be carried out to the satisfaction of the scheme employer entering into the contract or arrangement with that body (the "awarding authority").

Taking account of the outcome of any risks assessments the Administering Authority will require any potential admission body to provide a suitable guarantee to the Fund, depending on the type of admission taking place, as follows:

Bodies admitted under Paragraphs 1(a~~) to~~), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) must provide a guarantor considered by the ~~Fund~~Administering Authority to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the ~~Fund~~Administering Authority considers to have equivalent strength and coverage.

For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract, which will sometimes include charities) there is a preference for a bond or indemnity to be provided. This is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. However, the awarding authority will have to satisfy the administering authority that the form of the guarantee is sufficient to justify the exclusion of a bond or indemnity. In any case the awarding authority will be required to confirm the approach it wishes to take.

In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the ~~Fund~~Administering Authority and renewed by the body at regular intervals.

The Administering Authority reserves the right to exercise its discretion and alter the guarantor or bond requirements where the individual circumstances of an application make it prudent to do so.

4.1.2 Approval for becoming an admission body

The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The ~~Fund~~Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the Fund.

All applications by bodies assessed by officers as complying with Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admissions to those fulfilling a contract), and meeting the terms of the admission agreement, will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement, and may be refused.

All applications from bodies under Paragraphs 1(a~~) to~~), (b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, most admission bodies other than those fulfilling a contract) will be subject to agreement by the Pension Fund Committee.

4.1.3 Allocation of assets

The allocation of assets at the commencement of an admission agreement will be as follows:

- For bodies admitted under Paragraph 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract) the assets allocated will be 100% of the value at date of admission of the past service liabilities of any transferring employees;

(Any alternative approach proposed by the awarding authority is subject to agreement by the Fund)

- For bodies admitted under Paragraphs 1(a) ~~to~~(b), (c) and (e) of Part 3 of Schedule 2 to The Regulations (broadly speaking, admission bodies other than those fulfilling a contract) the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and any relevant business agreement.
- In both cases, the assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.
- ~~This~~ The respective admission body's asset share will be tracked on a monthly basis during the period of the admission agreement ~~and adjusted no less frequently than at each formal triennial valuation~~, allowing for cash flows in/out specific to ~~take account of~~ the admission ~~body's actual experience over~~ body and the ~~period since~~Fund's investment returns. Note that for some admission bodies, such as those set up under a pass-through arrangement, the ~~previous valuation (or date of entry if later) against what was assumed~~asset share is not tracked as the pension assets and obligations are generally retained by the awarding authority.

The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

4.1.4 **Investment strategy**

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund. Any alternative approach proposed is subject to agreement by the Fund.

4.1.5 **Contribution rates and other costs**

Admission bodies will be required to pay the employer contribution rate set out in the Fund actuary's initial report, and subsequently in the ~~Fund~~Fund's rates and adjustments certificate, issued as ~~varied from time to time.~~ part of the triennial actuarial valuation of the Fund. The employer contribution is split into two parts – Primary and Secondary – as detailed in the Funding Strategy Statement and initial report, and employers must pay both parts. The rate will be set by the Fund's actuary using a risk-based approach and will be set in accordance with the Funding Strategy Statement~~,~~ (FSS), taking into consideration elements such as:

- ~~any past service;~~
- the employer's funding target;
- the desired likelihood of achieving that funding target;
- the time horizon over which the funding target is to be met;
- whether the admission agreement is open or closed~~;~~
- ~~whether the admission agreement is fixed term or not, and the period of any fixed contract period~~ to new members; and
- the employer covenant and that of its guarantor (if any) and/or any bond or indemnity to be put in place.
- As well as its certified employer contributions, the admission body will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits;
~~lump sums in relation to any award of additional benefits;~~
- lump sums in relation to any award of additional benefits; and
- reimbursement of the administering ~~authorities~~authority's or other ~~bodies~~bodies' costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the admission body~~; and~~.
~~additional payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.~~

All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body unless the Head of Pensions and Section 151 Officer for Cambridgeshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

The ~~Fund~~Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health ~~insurance~~pooling policy.

As ~~mentioned later~~set out in 4.1.6, a pass-through arrangement may be entered into in certain circumstances which moves away from some of the principles mentioned above.

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the admission body. It may be agreed that these costs are partly or wholly paid for by the awarding authority (if any).

The ~~Fund~~Administering Authority will communicate the implications to the awarding authority of a transfer and may require the revision of the contribution rate payable by the awarding authority after the transfer occurs.

The ~~Fund~~Administering Authority reserves the right to require payment by the awarding authority of a lump sum contribution to cover any deficit in respect of transferees.

~~4.1.4 Pooling~~

~~4.1.4.1 Cambridgeshire Pension Fund may allow an admission body employer to be pooled. The new admission body (and any guarantor for the body) would need to confirm that they understand the pros and cons compared with being a stand-alone body outside of the pool. Whilst the admission body is in the pool:~~

- ~~its contribution rate will be the same as the pool; and~~
- ~~it will pay strain costs in respect of non-ill-health early retirements.~~

~~4.1.4.2 The individual funding position for the admission body will be tracked and will reflect the individual experience of the employer. In the event of exit from the pool, the admission body will be responsible for any surplus/ deficit it has built up while participating in the pool. If the~~

~~admission body leaves the Fund it will be responsible for meeting any shortfall (as described under Cessation Terms and Requirements).~~

~~4.1.6.3 The administering authority reserves the right to remove the admission body from the pool and treat it as a stand-alone employer. This may occur if the profile of the employer no longer matches that of the other employers in the pool.~~

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.1.6 **Pass through arrangements**

In the case of a body admitted under Para 1(d) of Part 3 of Schedule 2 to The Regulations (broadly speaking, those fulfilling a contract), and where agreed by the awarding authority and the body, the ~~Fund~~Administering Authority may allow that employer to enter into a pass-through arrangement.

Under the pass-through arrangement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to pay additional contributions ~~due to~~in excess of its employer contribution rate to reflect the impact of excessive pay awards to the admission body's own employees;
- may be required to provide a limited bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will continue to be required to pay strain costs in respect of non-ill-health early retirements.

In the event of cessation of the admission agreement ~~the admission body~~, that agreement will ~~not be required to pay~~clarify the position re any cessation ~~shortfall (except possibly for any additional~~debt / exit credit payment, etc. However, it should be noted that normally in a pass-through case there would be no assignment of assets or liabilities ~~resulting from excessive pay awards, any unpaid contributions and any strain costs in respect of non-ill health early retirements).~~ to the employer.

4.1.7 **Ongoing monitoring of admission bodies**

During the period of the admission agreement, the level of risk in relation to any guarantees, bonds or indemnities in place will be reassessed at regular intervals and the relevant admission bodies will be required to renew their bond or indemnity appropriately. As set out in 4.1.5 above, contribution rates will be reviewed at ~~formal~~triennial actuarial valuations~~. In addition,~~, however, in certain circumstances the ~~Fund~~Administering Authority will consider amending the employer contribution rate between valuations. The Administering Authority reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement.

Where an employer acts as a guarantor to an admission body or bodies, an assessment will be carried out every three years to establish the level of risk being borne by the employer in respect of its guarantees and to ensure that the strength of the guarantee continues to be to the satisfaction of the administering authority.

Furthermore, the ~~Fund~~Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. ~~If it appears that~~As per 4.1.5.9 above, the ~~liabilities relating to an admission body have increased more than had been allowed for at the preceding triennial valuation, the Fund~~Administering Authority may review the employer contribution rate (i.e. outside of the formal triennial actuarial valuation cycle).

4.1.8 **Cessation terms and requirements**

The ~~Fund~~Administering Authority reserves the right for the admission agreement to be terminated in any of, but not limited to, the following circumstances and following unsuccessful attempts to enable the admission body to remedy the situation, where applicable:

- Where the admission body is not paying monies ~~in a timely manner~~due to the Fund within the period required by the Fund;
- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to ~~provide~~renew, adjust or review any bond/indemnity or to confirm an appropriate alternative guarantor;
- ~~Where no further active members exist; or~~
- Where the admission body breaches any other obligations under the admission agreement, not covered above;
- Where no active members exist (and it is not expected that the admission body will acquire one or more active Fund members within the three-year period following the cessation event. In this situation the Administering Authority has discretion to defer taking action for up to three years);
- Where the employer becomes insolvent, is wound up, merged or ceases to exist; or
- On termination of a deferred debt agreement.

4.1.9 **Future cessation**

Where an admission agreement for a body that has no awarding authority or central government guarantor is ~~likely~~closed to ~~terminate within~~new entrants, the ~~next 5 to 10 years or lose its last active member within that timeframe, the Fund reserves the right~~Administering Authority policy is to set contribution rates by reference to liabilities valued on the termination basis (as per 4.1.12 below). The ~~target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the agreement terminates or the last active member leaves in order~~purpose of this policy is to protect other employers in the Fund. This policy will increase regular contributions for such admission bodies and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the admission body in the affordability of its eventual cessation debt.

4.1.10 **Deferral of cessation debt**

Where an admission body has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following

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the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.1.11 Deferred debt agreement ("DDA") alternative to immediate cessation

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

~~4.1.10~~4.1.12 Basis of termination valuation

The ~~Funds~~Fund's general principle on the cessation of an admission body is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis~~;~~.

The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the Cambridgeshire County Council's Scheme of Delegation.

a) ~~a)~~ ~~*Admitted*~~Admission bodies with a predetermined contract end date which may be specified in the admission agreement.

- **Employers at the natural end of a contract** – Once the contract is complete or the employer has completed the services it was contracted to carry out (and no plans for extending the contract are in place); the employer will leave the Fund. Under these circumstances, it is usual for the remaining active employees to transfer back to the awarding authority or into a second (or later) generation contractor.

  In this scenario, the ~~Fund~~Administering Authority would expect the responsibility for the deferred pensioners and pensioners to transfer back to the awarding authority. The cessation liabilities will normally be calculated on an ongoing valuation basis since the awarding authority (and, where relevant, the next generation contractor) will be taking responsibility for funding those liabilities.

  If any member is made redundant at the natural end of the contract any resulting early retirement strain will be paid to the Fund by the ceasing employer.

- **Employers that leave the ~~scheme~~Fund prior to the natural end of an admission agreement** – Under these circumstances, it will need to be established whether the current active membership will transfer to another LGPS employer or contractor and who is responsible for any residual and future liabilities in respect of deferred pensioners and pensioners (and also potentially the past and future accrual of benefits of transferring active members).

  Under the admission agreement, those liabilities that cannot be recovered via a bond/indemnity or guarantor would usually fall back to the awarding authority (who may well be the guarantor) and ideally this should be written into the admission agreement or supporting documents. ~~Employers falling under this category will~~The Administering Authority should be ~~considered on a case by case basis since there may be circumstances where~~advised if the transfer agreement between the awarding authority and the admission body ~~(to which the Fund is a party) dictate~~dictates a different approach than above ~~to setting the basis relative to the admission body reaching the natural end of its contract.~~ .

In broad terms, when assessing a cessation debt on early termination, liabilities may be assessed on a lower risk termination basis to protect other Fund employers.

b) ~~b)~~ Non time limited admission bodies~~.~~

- The cessation liabilities and final deficit will normally be calculated using a ~~gilts basis~~low risk exit basis as per the Funding Strategy Statement with an allowance for further future mortality improvements.
- It is now a condition of admission that such bodies will be "sponsored" by another scheme employer or another public body or provide an indemnity or security acceptable to the Fund.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body, the sponsor (or guarantor) will be expected to assume responsibility for the assets and liabilities in the Fund, which are attributable to the admitted body. Where this is the case, the cessation valuation will normally be re-calculated using an ongoing valuation basis appropriate to the investment strategy.
- If, for some reason, the Fund is not able to recover the full amount of the final deficit from the admission body ~~or~~and there is no guarantor (these will generally be historical cases), then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund.

The ~~Fund~~Administering Authority reserves the right to use different funding assumptions if they are deemed to be appropriate~~. ~~, after taking actuarial advice.

~~4.1.11~~4.1.13 Payment of cessation ~~deficit~~debt

The ~~Fund policy~~Fund's preferred and default position will be to collect ~~this~~the cessation payment by way of a lump sum where it is the admission body that is making the payment. The Fund's normal policy is that the payment is made within 30 days of the admission body being notified. The admission body may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer~~. ~~, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

Where ~~this is not~~ the ~~case~~cessation debt cannot be repaid by the admission body, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- by ~~an increase to~~incorporating the cessation debt into the awarding authority's or guarantor's ongoing contribution rate, calculated by ~~spreading the outstanding payment over a suitable period to be determined by~~including the ceasing employer's assets and liabilities in the awarding authority/guarantor's share of the

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Fund. The ~~Fund~~Administering Authority reserves the right to require payment by immediate lump sum;

- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will ~~be adjusted to~~ allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body ~~departs~~or bodies depart (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;

The Administering Authority will in all cases seek to maximise the monies recoverable~~.~~ and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. ~~-~~Any such cases will be subject to approval by the Pension Fund Committee.

4.1.14 **Payment of surplus / exit credit**

Where the Administering Authority determines that an exit credit may be payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer).

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

These are employers who have a right to participate in the Fund, as opposed to joining via an admission agreement. They include local authorities, town & parish councils, academy schools, and other employers listed in parts 1 and 2 of schedule 2 of the Regulations.

4.2.1 **Allocation of assets**

The allocation of assets at the commencement of an employer will be as follows:

- Academy conversion from LEA school – share of deficit basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the ~~Cambridgeshire County Council Pool~~ceding local authority on the calculation date. The funding level is calculated as the ratio of the remaining assets after sufficient assets have been retained to meet the deferred and pensioner liabilities of the ~~Cambridgeshire County Council Pool~~relevant ceding authority in full, to the value of active members' liabilities immediately prior to transfer.
- Academy free school – normally these are established with staff who have no prior LGPS service and hence will have nil assets and liabilities at the outset. If any members bring in individual transfers (whether from another Fund employer or another LGPS Fund) these will be brought in using standard GAD CETVs.

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- Existing academy established as new employer, eg on failure of previous academy/trust and being brought into a Multi Academy Trust – this will normally be on the basis of all assets and liabilities (including deferreds and pensioners) being transferred from the existing academy.
- Non academy scheme employers - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer ~~as follows~~and business agreement (unless a pooling arrangement is entered into as described later in this policy~~):~~).

The assets will be calculated using the Fund's ongoing funding basis as set out in the Funding Strategy Statement.

~~This~~The asset share will be tracked on a monthly basis during the period of participation ~~and adjusted no less frequently than at each formal triennial valuation to take account~~in the Fund, allowing for cash flows in/out of the ~~body's actual experience over the period since~~ scheme employer and the ~~previous valuation (or date of entry if later) against what was assumed~~Fund's investment returns.

4.2.2 **Matched investment strategy**

The investment strategy is set for the Fund as a whole, not for each employer's notional share of the Fund.

Any alternative approach proposed is subject to agreement by the Fund.

4.2.3 **Contribution rates and other costs**

The employer contribution rate will be set in accordance with the Funding Strategy Statement, using a risk-based approach, taking into consideration elements such as:

- ~~any past service;~~
- The employer's funding target.
- The desired likelihood of achieving the ~~deficit spread~~funding target.
- The time period over which the funding target is to be met.
- In the case of an employer permitted to designate which of its employees may join the Scheme, whether such a designation applies to all employees or is restricted.

The approach taken is to calculate an individual contribution rate ~~based on~~such that, when combined with the ~~cost of pension accrual for the Scheme~~ employer's ~~own membership plus an adjustment for any deficit inherited.~~asset share and anticipated market movements over the time horizon, the funding target is met with a given desired likelihood. Further information is available within the Funding Strategy Statement. The employer contribution is split into two parts – Primary and Secondary – and employers must pay both parts.

However, academies may ~~(at their own discretion) choose~~opt to pay ~~a~~an employer contribution rate ~~linked to that of Cambridgeshire County Council. This is as per the Funding Strategy Statement from time to time, and is available due to the presence of~~in line with the ~~guarantee provided~~stabilisation mechanism offered by the ~~Department for Education. Academies will be made aware that the allocation of assets will be on a~~

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~~share of deficit basis and therefore paying the school~~Fund. The mechanism keeps year to year contribution rate ~~could lead to underfunding.~~ variations within a pre-determined range, allowing academy employers to benefit from paying stable employer contribution rates.

In addition, a Scheme employer will be required to pay additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits; lump sums in relation to any award of additional benefits; and
- reimbursement of the administering authorities or other bodies costs incurred as a result of activity directly related to or requested by the admission body or due to poor administration by the employer.

- ~~additional lump sum payments in respect of early payment and/or enhancements for early retirements on ill-health grounds.~~

All lump sums in relation to non-ill health early retirement will be paid immediately by the Scheme employer unless the Head of Pensions and Section 151 Officer for Cambridgeshire County Council jointly agree the payment may be extended over a maximum period of 3 years.

The ~~Fund~~Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health ~~insurance~~pooling policy

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the Scheme employer.

The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Funding Strategy Statement.

4.2.4 Ongoing monitoring of scheme employers

The ~~Fund~~Administering Authority will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. ~~If it appears that~~As per 4.2.4.8 above, the ~~liabilities relating to a body have increased more than had been allowed for at the preceding triennial valuation, the Fund~~Administering Authority may review the employer contribution rate (i.e. outside the formal triennial actuarial valuation cycle).

4.2.5 Cessation terms and requirements

Termination of an employer would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist; or
- Where the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

4.2.6 Future cessations

Where a Scheme employer is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the ~~Fund~~Administering Authority reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). -The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates, in order to protect other employers in the Fund. -This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required on termination. However, it will also assist the employer in the affordability of its eventual cessation debt.

4.2.7 **Deferral of cessation debt**

Where an employer has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

4.2.8 **Deferred debt agreement ("DDA") alternative to immediate cessation**

The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Funding Strategy Statement, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

~~4.2.7~~4.2.9 **Basis of termination valuation**

The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

The cessation liabilities and final deficit will normally be calculated using a ~~gilts~~low risk exit basis ~~with an allowance for further future mortality improvements.~~as per the Funding Strategy Statement. If for some reason the Fund is not able to recover the full amount of the final deficit, then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances, e.g. where employees are transferring to another LGPS employer such as the local authority, an ongoing valuation approach may be adopted for any transferring liabilities.

~~4.2.6.1 The administering authority reserves the right to use different funding assumptions if they are deemed to be appropriate.~~

~~4.2.8~~4.2.10 **Payment of cessation ~~deficit~~ debt**

The Fund policy will be to collect this cessation payment by way of an immediate lump sum. The Fund's normal policy is that the payment is made within 30 days of the employer being notified. The employer may be allowed to spread payment over an extended period where this is agreed by the Head of Pensions and the Section 151 Officer, however, some form of security relating to the unpaid amount may be required: further details are contained in the Funding Strategy Statement.

In the case of academies, it may be possible for the cessation position to be covered either by another academy trust taking on the ceasing school's assets and liabilities, or by payment of the Department for Education guarantee.

Where the cessation debt cannot be repaid by the employer, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:

- where the deficit is to be spread amongst all the employers in the fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body departs (unless the results of that valuation have already been finalised);
- the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees.

The administering authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund employers. In exceptional circumstances this may result in an employer paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

4.2.11 Payment of surplus / exit credit

Where the Administering Authority determines that an exit credit is payable, the Administering Authority will:

- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
- revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
- make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer)
- Further details can be found within the Exit Credit Policy and Funding Strategy Statement.

4.3 Bulk transfers

4.3.1 Calculation of bulk transfer out of the Fund

Payments of bulk transfers from the Fund will be carried out in line with the following:

- Where the bulk transfer is to a broadly comparable scheme by virtue of a local authority or public sector outsourcing services to ~~a contractor~~an employer fulfilling a contract under the ODPM Code of Practice on Workforce Matters and/or Fair Deal Guidance the transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer. ~~The transfer terms in these situations will be non-negotiable.~~
- In all other circumstances the bulk transfer, calculated on an ongoing basis, will be considered on the merits of the case. Generally ~~this will result in a share of fund~~

~~bulk transfer~~, the Fund's approach is for Government Actuary's standard CETVs being paid.

- However, where the transferring employer is leaving the Fund ~~on the transfer date~~in its entirety (for example ~~because it no longer has any active scheme members~~as part of a reorganisation, or ~~its admission agreement is ceasing~~an academy moving to a Multi Academy Trust in another Fund), the bulk transfer value paid from the Fund should be equivalent to the employer's share of the assets in the Fund. In particular, this would apply where all deferred and pensioner members are also transferring (which will typically require a Secretary of State Direction).
- If an employer is leaving behind any liabilities (eg deferred and pensioner members) then the bulk transfer value to be paid should be equivalent to the employer's share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities ~~(any deferred or pensioner members)~~ are fully funded on a ~~cessation~~low risk exit basis ~~on the transfer date (assuming the transfer date and termination date are the same).~~
- ~~The share of the Fund assets attributed to the transferring liabilities will be calculated by reference to the funding position of the transferring employer rather than the Fund as a whole.~~
- ~~The bulk transfer will be calculated using the assumptions adopted for the most recent funding valuation, adjusted for market conditions at the transfer date, to place a value on the transferring liabilities. The funding level adjustment would then be calculated on the transfer date.~~
- ~~Should the employer's notional ongoing funding position be in surplus, such surplus will **not** normally be transferred as part of a bulk transfer.~~.
- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme. This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.
- Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to ~~private contractors~~employers fulfilling a contract, to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.

4.3.2 Adjustment to transfer payment between transfer date and payment date

Normally the transfer value will be calculated as at the date the members transfer their employment (on the Transfer Date); this value is then adjusted until the actual Payment Date, which is typically some months or years later.

There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to

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use the actual returns achieved on the Fund's assets over the appropriate period.

There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of:
(a) applying index returns in line with the benchmark agreed at the time of the bulk transfer~~.~~, and/or
(b) applying implied returns from monthly asset values.

It may subsequently be agreed between both parties to carry out a "true-up" exercise whereby the original payment amount is updated to reflect Fund returns to the Payment Date (when they become available), the difference between the original amount and the revised amount is settled between the two parties.

Where the bulk transfer is between ~~the~~two employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

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4.3.3 **Format of bulk transfer**

The type of payment will usually be in cash but is at the discretion of the Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.3.4 **Bulk transfers in**

The ~~Fund~~Administering Authority will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.

There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation. ~~Any deficit payments that Fund agree to include as part of the ongoing contribution rate will be based on a spreading period not exceeding that set out in the Funding Strategy Statement.~~

4.3.5 **Approval process for paying or receiving a bulk transfer**

The ~~Fund~~Administering Authority will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, ~~detailing any~~where the proposals ~~to~~ depart from this policy.

4.3.6 **Costs**

The ~~Fund~~Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

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Appendix 1

Admission bodies - overriding principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to employers in the fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; -and
- to maintain the affordability of the fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement (FSS)

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, ("The Regulations") describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government ("DCLG") issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair deal, ODPM code of practice and the direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice", and in particular the "Fair Deal for Staff Pensions" guidance that supports "COSOP" (commonly known as 'Fair Deal') must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to
- move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
  where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept should be dealt with by the employers concerned outside the Fund.

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Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 ("The Regulations") governs the bulk transfer of members' pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement, then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer's pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund's administrators must also obtain members' consent to be part of the bulk transfer.

The Regulations give the Fund's actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities[1].

Bulk transfers between LGPS Funds within England and Wales: changes in the Fund

Transfers of membership between different LGPS funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS fund.

Regulation 103 of The Regulations governs the bulk transfer of members' pension liabilities between funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each fund to agree on the amount of the bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day

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[1] **It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Cambridgeshire Pension Fund returns may not be available for the full period.**

service credits.

Bulk transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be calculated the same way as individual transfers.

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Agenda Item No: 7

Cambridgeshire
Pension Fund

Pension Fund Committee

30th September 2021

Report by: Head of Pensions

Subject:	Employer Admissions and Cessations Report
Purpose of the Report:	1. To report the admission of five admitted bodies to the Cambridgeshire Pension Fund 2. To report the admission of one scheduled body to the Cambridgeshire Pension Fund 3. To notify the Committee of six bodies ceasing participation in the Cambridgeshire Pension Fund

Recommendations:

That the Pension Fund Committee

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

- Compass Contract Services
- Elior Holdings UK Ltd
- Milestone Infrastructure Limited – M Group Services
- Multi-Active Holiday Courses Limited
- VHS Cleaning Services Limited

2. Notes the admission of the following schedule body to the Cambridgeshire Pension Fund

- Eastern Learning Alliance

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

- ABM Catering Limited
- CleanTec Services Ltd
- Easy Clean Limitd
- Edwards & Blake Limited
- TBAP Multi-Academy Trust
- William Law C of E Primary School

Enquiries to:

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1. Background

1.1 The Local Government Pension Scheme Regulations 2013 (as amended) 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.

1.2 This report provides an update on admissions to and cessations from the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

2 New Admission Bodies

2.1 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.

2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 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.

2.3 The Regulations require that applications for bodies, assessed by officers as complying with paragraph 1(d)(i), and who agree to meet the terms of the admission agreement must be accepted. The Regulations also allow Funds to enter into backdated admission agreements.

2.4 There are a number of backdated admission agreements within this report. This is due either to difficulties in getting both the scheme employer and admitted body to sign the admission agreement. Older cases were previously closed down but we were asked to reopen the cases by the scheme employer. Officers have worked closely with these employers over recent months to bring these cases to completion.

2.5 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.

Date	New Admission Body	Background information
27/10/2018	Compass Contract Services (Holme C of E Primary School)	Holme C of E Primary School, a Cambrdigeshire LEA school, have entered into a contract with Compass Contract Services to provide catering services. As a result, a group of staff were transferred to the new admission body and a pass through admission agreement has been put in place with the liabilities retained by the Cambridgeshire County Council. This agreement has been backdated to 27 October 2018. The appropriate contribution rate is currently being determined and backdated contributions will be collected once the contribution rate has been agreed.

Date	New Admission Body	Background information
03/01/2017	Elior Holdings UK Ltd (Jack Hunt School)	Jack Hunt School, a Peterborough LEA school have entered into a contract with Bouygues E & S Solutions Ltd and Bouygues sub-contracted to Elior Holdings UK Ltd to provide school catering services. As a result, a group of employees were transferred to the admission body and a full admission agreement has been put in place. This agreement has been backdated to 3 January 2017 and backdated contributions have been collected.
01/05/2021	Milestone Infrastructure Limited – M Group Services	Peterborough City Council entered into a contract with Atkins Limited in 2013 to provide highway services, which was immediately subcontracted to Skanska. Subsequently, Peterborough City Council, Skanska and Milestone Infrastructure Limited entered into an agreement to novate the contract to Milestone Infrastructure Limited. As a result, a group of employees were transferred to the admission body and a pass through admission agreement has been put in place, with the liabilities retained by Peterborough City Council. This agreement has been backdated to 1 May 2021 and backdated contributions were due to be collected before 19 September 2021.
16/04/2021	Multi-Active Holiday Courses Limited (Houghton Primary School)	Houghton Primary School, a Cambridgeshire LEA school, have entered into a contract with Multi-Active Holiday Courses Limited to provide wrap around care services. As a result, a group of staff were transferred to the new admission body and a pass through admission agreement has been put in place, with the liabilities retained by Cambridgeshire County Council. This agreement has been backdated to 16 April 2021 and backdated contributions were due to be collected by 19 Setember 2021.
24/10/2020	VHS Cleaning Services Limited (Linton Village College)	Anglian Learning have entered into a contract with VHS Cleaning Services Limited to to provide cleaning services in Linton Village College. As a result, a group of staff were transferred to the new admission body and a pass through admission agreement has been put in place with the liabilities retained by Anglian Learning. This agreement has been backdated to 24 October 2020 and backdated contributions were due to be collected by 19 September 2021.

4. New Scheduled Body

4.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes “a proprietor of an Academy” as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.

4.2 The LGPS Regulations recognise the proprietor of the Academy Trust as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported, as they are therefore not recognised as new scheme employers.

Date of admission	Academy Trust	Back ground infomration
01/09/2021	Eastern Learning Alliance	Eastern Learning Alliance is a Multi Academy Trust that opened a new free school, The Cavendish School,in Cambridgeshire on 1 September 2021. .

5. Cessations

5.1 ABM Catering Ltd (Middleton Primary School)

5.1.1 ABM Catering Ltd were admitted to the Fund under a pass through agreement on 26th October 2018 after entering a contract to provide the cleaning services in Miccleton Primary School.

5.1.2 On 28st February 2021, the last active member left employment. No exit payment or credit will be required as the pension liabilities were retained by Peterborough Keys Academy Trust.

5.2 CleanTec Services Ltd (Cromwell Academy)

5.2.1 Clean Tec Services Ltd were admitted to the Fund under a pass through agreement on 1st September 2018 after entering a contract to provide the cleaning services in Cromwell Academy.

5.2.2 On 31st March 2021, the last active member left employment. No exit payment or credit will be required as the pension liabilities were retained by ACES Academies Trust.

5.3 Easy Clean Limited (Greater Peberborough UTC)

5.3.1 Easy Clean Limited were admitted to the Fund under a pass through agreement on 1st October 2019 after entering a contract to provide the cleaning services in Greater Peterborough UTC.

5.3.2 On 12th May 2021, the last active member left employment. No exit payment or credit will be required as the pension liabilities were retained by Greater Peterborough UTC Single School Academy Trust.

5.4 Edwards & Blake Ltd (Cottenham Primary School)

5.4.1 Edwards & Blake Ltd were admitted to the Fund under a pass through admission agreement on 30th October 2017 after entering a contract to provide the catering services in Cottenham Primary School.

5.4.2 On 21st October 2020, the last active member left employment. No exit payment or credit will be required as the pension liabilities were retained by Cambridgeshire County Council

5.5 TBAP Multi Academy Trust

5.5.1 TBAP became a scheduled body within the Fund on 1st October 2015 when it took over alternative education provision with Cambridgeshire.

5.5.2 On 1st May 2021, all three academies were transferred to other academy trusts. All assets and liaiblities in relation to each academy have been transferred to receiving trusts.

5.6 William Law C of E Primary School (Single School Academy Trust)

5.6.1 William Law C or E Primary School became a scheduled body within the Fund on 1st June 2014 when the school converted to an academy trust.

5.6.2 On 1st June 2021, the academy joined Peterborough Diocese Eduction Trust. All assets and liaiblities in relation to the school have been transferred to Peterborough Diocese Education Trust.

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.	Green

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

Pension Fund Risk Register hyperlink

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 on boarding 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 the course of active membership may result in unpaid liabilities being borne by other employers in the Fund.

9. Communication Implications

Direct Communications - Direct communications will be required to facilitate employer start up in the LGPS.

Direct communications will be required with the exiting emloyers.

Training - Training will need to be provided to new employers on a number of LGPS issues.

Website - New employers are given access to the employer's guidance available on the pension's website.

10. Legal Implications

10.1 Admitted bodies enter into an admission agreement with the administering authority in order 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.

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 Eversheds, specialist pension legal advisers in consultation with LGSS Law.

12. Alternative Options Considered

12.1 None available.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood 17/9/2021

Has this report been cleared by Head of Pensions? Mark Whitby 3/9/2021

Has the Chairman of the Pension Fund Committee been consulted? Councillor Whelan 17/9/2021

Has this report been cleared by Legal Services? Amy Brown on behalf of Fiona McMillan – 10/9/2021