CAMBRIDGESHIRE PENSION FUND BOARD

Date:Friday, 06 July 2018

<u>10:00hr</u>

Democratic and Members' Services
Fiona McMillan
Deputy Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Room 128
Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. Election of Chairman/woman

Although it has been custom and practice to alternate the Chairman annually between the employer and member representative sectors there is no requirement to do so, provided that the subsequent Vice Chairman/ woman is appointed from the other sector of the Board membership not represented by the appointed Chairman.

2. Election of Vice Chairman/woman

3. Apologies for absence and declarations of interest

Guidance on declaring interests is available at
http://tinyurl.com/ccc-conduct-code

4. Minutes & Action Log – 20 April 2018 **5 - 14**

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 any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

14. Overseas Pensioners Proof of Existence Exercise

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

15. ACCESS Asset Pooling Update

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

16. Minutes of the Pension Fund Committee 24 May 2018

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

17. Date of Next Meeting - 19th October 2018

The Cambridgeshire Pension Fund Board comprises the following members:

Councillor Simon King (Chairman) Mr David Brooks (Vice-Chairman)

Mr Barry O'Sullivan Mr Denis Payne and Mr John Stokes and Councillor Elisa Meschini

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

Clerk Name: Rob Sanderson

Clerk Telephone: 01223 699181

Clerk Email: rob.sanderson@cambridgeshire.gov.uk

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: http://tinyurl.com/ccc-film-record.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitutionhttps://tinyurl.com/ProcedureRules.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks http://tinyurl.com/ccc-carpark or public transport.

LOCAL PENSION BOARD

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 20th April 2018

Members of the Board in attendance:
Employer Representatives – County Councillor S King (Chairman) and Parish Councillor D Payne
Scheme Member Representatives - D Brooks, B O'Sullivan, and J Stokes

Officers in attendance:
M Oakensen –Governance Officer
M Rowe – Democratic Services Manager (for agenda item 3)
J Walton – Governance and Regulations Manager
M Whitby - Head of Pensions
R Yule – Democratic Services Officer

Time: 10.00am to12.00pm
Place: Shire Hall, Cambridge

27. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillor Manning. There were no declarations of interest.

28. MINUTES & ACTION LOG – 23 FEBRUARY 2018

The minutes of the meeting of 23 February 2018 were approved as a correct record and signed by the Chairman.

The Action Log was noted. In relation to minute 6, on arranging liability insurance for Board members, officers advised that the Section 151 Officer had approved the insurance offered. The Head of Pensions said that he was required to sign for each member that they were not aware of any breaches. All Board members confirmed that they were not aware of any breaches.

The Governance and Regulations Manager undertook to forward the policy terms and conditions to members as soon as she received them.

Action required

Officers were thanked for the prompt issue of the Pensioner Matters newsletter, which had been received by pensioners in March.

29. CAMBRIDGESHIRE PENSION FUND BOARD ANNUAL REPORT 2017-18

The Board received an early draft of its Annual Report for comment and approval. Members noted that the guidance received when local boards were being established included that it was good practice for the Local Pension Fund Board to publish an annual report on its activities. The report would go to Council in October, so there was time for the Board to suggest changes, both at the present meeting and by email subsequently.

Board members were asked whether they were content for their email addresses to be included in the report. All members confirmed that they were happy for their email addresses to be published in the report.

Commenting on specific aspects of the report, Board members

- pointed out that not all Councillor members of the Board were County Councillors

- identified a few omissions from the training record

- pointed out that there were problems with securing payment from only a very small number of academies, not from all

- raised the question of how far back the training record should go, and the need to find a balance between reassuring fund members that the Board was properly trained, and having an excessively long list of entries for long-serving Board members.

Officers undertook to make the amendments identified above, and to consider setting out the training record differently for the 2018/19 report.

On behalf of the Board, the Chairman thanked the Democratic Services Manager for drafting a good report which accurately reflected the Board's activities.

It was resolved unanimously to:

> approve the Pension Fund Board's Annual Report 2017-18, subject to the changes set out above and the inclusion of the 20 April 2018 meeting within the report.

30. LGSS PENSIONS SERVICE ADMINISTRATION PERFORMANCE REPORT

The Board received the Service Administration Performance Report, which focussed on the work undertaken regarding the administration of the Pension Scheme. Members expressed a wish to examine the analysis of late payment of employer and employee contributions contained in the report's confidential Appendix 1.

It was resolved to:

> exclude the press and public from the meeting for the following discussion on the grounds that it would 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).

Discussing the detail of Appendix 1, members noted that there had been some improvement in payments by a previously persistent late payer, though the employer still needed reminding that payment was due.

There was some general discussion about the difficulty of securing prompt payment from a small number of academies. Members noted that, if difficulties with any one academy persisted, it would be possible to bring the matter to the attention of the Schools Commissioner.

It was resolved unanimously to note the Administration Performance Report.

31. GOVERNANCE AND LEGISLATION REPORT

The Board received a report advising it of issues concerning the governance of the Local Government Pension Scheme (LGPS) and of potential, new, amending and overriding legislation that would have an impact on the management of the Scheme and on members' benefits.

Discussing the report, Board members

- requested an update on the 'Elmes versus Essex County Council' case at its next meeting, as the detail of the ruling was still not available
  Action required

- noted that work on the Overpayments of Pension Policy was continuing It was hoped to present the completed draft policy to the Pension Fund Committee in May, and bring it to the Board for comment in July 2018

- were advised that the only other delayed policy item was the Cash Management Strategy; the delay had been caused by the introduction of new County Council systems, but work on it was expected to be completed by December 2018.

It was resolved unanimously to note the content of the report.

32. CAMBRIDGESHIRE PENSION FUND CONFLICTS OF INTEREST POLICY

The Board received the Conflicts of Interest Policy for approval. Members noted that this had been drawn up to meet the requirements of the Pensions Regulator's code of practice relating to conflicts of interest for pension board members. Members noted that it was the responsibility of each individual covered by the Policy to identify any potential conflicts of interest.

Discussing the policy, members

- drew attention to an apparent discrepancy between the list of persons to whom the policy applied in policy paragraph 1.2 and that in 6.2

- asked that Board members be notified by Democratic Services when the Policy came into effect, be provided with a copy of the Policy, and be required to complete a Declaration of Interest **Action required**

- noted that the wording of the Policy drew on best practice elsewhere; many board would have a similar document in place

- received confirmation that there would be no requirement to declare a conflict of interest at a meeting of the Board if that conflict had already been identified in the register of conflicts of interest.

It was resolved unanimously to approve the Conflicts of Interest Policy.

33. INTERNAL AUDIT REPORT 2017-18

The Board received a report setting out the findings of Internal Audit work during 2017-18. Members noted that the year-end employer and employee contributions reconciliation for the previous year (2016-17) had not been finalised at the time the Internal Audit Report had been written, but was now close to completion. One target date had been set for the reconciliations to be completed for both years, as the auditor had confirmed that both years would be examined at the same time.

The Chairman thanked Pension Fund officers and the internal auditors for their work on the audit report.

It was resolved unanimously to note the Internal Audit work during 2017-18.

34. REVIEW OF THE EFFECTIVENESS OF THE LOCAL PENSION BOARD

The Board received a report providing feedback on the results from the effectiveness review survey which had been carried out in January 2018. Two members gave reasons for not completing the survey; one had been travelling abroad in January, and the other had only joined the Board recently so had not felt qualified to comment on its effectiveness.

Discussing the report and feedback, Board members

- noted that the actions identified in the previous year's survey had all been completed

- commented that the survey had been straightforward to complete, but queried the use of 75% and 25% for replies from three people, and noted the percentages should be 66% and 33%

- said that it was important to keep the process as straightforward as possible, to minimise the demands of the survey on officers' time

- suggested that the survey might usefully consist of 12 questions focussed on specific areas, changing from year to year, rather than 24 wider questions every time; members could be relied upon to tell officers if they thought something not covered by the questions was seriously amiss

- commented that the real test of the effectiveness of the survey would be whether, in the next annual survey, improvement could be demonstrated in the areas identified for improvement in the present survey.

Officers undertook to review the selection of questions for the 2018/19 survey of effectiveness. The Chairman said that in his view, the Board functioned well and was well-supported by officers and Board members.

It was resolved unanimously to

> note the feedback and approve the plan of action to improve the effectiveness of the Local Pension Board in the areas identified.

35. GENERAL DATA PROTECTION REGULATION

The Board received a report updating it on the work undertaken to achieve compliance with the General Data Protection Regulation (GDPR). Members noted that since writing the report, officers had been able to adapt the template privacy notice and Memorandum of Understanding (MOU) for the Cambridgeshire fund. The Contract Procedure Rules set out in the Council's Constitution had been revised to incorporate requirements related to GDPR, and had been updated on the Council's website.

In answer to questions, members noted that

- the Council was in the process of appointing a Data Protection Officer, who would be responsible for ensuring compliance with GDPR

- Pension Fund officers were changing their practice to minimise the amount of data held; they already only collected information that they needed, but would need to be particularly careful about using and sharing contact details

- in the case of people who left the scheme without any liabilities, skeleton records would be kept indefinitely, because past scheme members could approach the Fund to enquire about their pension position many years after leaving the scheme; as the amount of information held reduced, it could become more difficult to respond fully to any such enquiries

- pressure on physical space had already caused officers to reduce to a minimum the paper records held; GDPR required that a retention date be put on all information held.

Members raised the question of receiving training to help them in their role of checking that the administering authority was complying with GDPR, and enable them to know what questions they should be asking. Officers advised that it was the County Council's responsibility to ensure that its systems were compliant, and suggested that an item on monitoring compliance be placed on the agenda for the Board's next meeting.

Action required

It was resolved unanimously to note the contents of the report.

36. FORWARD AGENDA PLAN

The Board approved its forward agenda plan, subject to the inclusion of items identified in the course of the meeting.

In relation to the election of Chairman/woman and Vice-Chairman/woman, due to take place at the Board's next meeting, the Democratic Services Officer was asked to seek clarification of Standing Order 2, 'A Chairman/ woman and Vice-Chairman/woman will be appointed by the employer and member representatives of the Board from among their own number but not from the same sector of representatives', to be read in conjunction with the preceding statement that 'The Chairman/woman and Vice-Chairman/woman of the Board shall be elected by the Pension Fund Board.'

There were two questions, whether the whole Board took part in the elections, and whether it was a requirement, or merely a convention, that the sector of representatives from which the Chairman/woman was drawn alternated each year. **Action required**

The Chairman expressed the Board's thanks to the outgoing Democratic Services Officer, Ruth Yule, for her work supporting the Board's meetings to a high standard. He wished her well in retirement, and welcomed Rob Sanderson, Democratic Services Officer, as a worthy successor.

37. EXCLUSION OF PRESS AND PUBLIC

It was resolved to:

> Exclude the press and public from the meeting for the following items of business on the grounds that they contained 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)).

38. PENSION FUND ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY 2018-19 TO 2020-21

The Board received a report presenting the Annual Business Plan and Medium-Term Strategy detailing the Fund's key areas of activity over the period 2018/19 to 2020/21. The report was considered in private because the discussion touched on the appended confidential Memorandum on efficiency improvements in the delivery of pension services.

In the course of discussion, members

- noted that the plan was specific to the Cambridgeshire fund, though it included the appointment of four additional staff to support administration of the Northamptonshire and the Cambridgeshire funds; the costs of these posts would be shared by the two funds

- queried whether the full costs of the four new posts were reflected in the report, and were reminded that accommodation costs had been accounted for elsewhere in the document

- noted that, although the structure depicted in the staff diagram included two team leaders and five pensions officers, one of the team leaders actually concentrated on technical work rather than managing staff.

It was resolved unanimously

to approve the Business Plan and Medium-Term Strategy.

39. ASSET POOLING UPDATE

The Board received a report updating it on progress on the asset pooling project, under which the Cambridgeshire Pension Fund has been working collaboratively with ten other Funds in the ACCESS pool to jointly meet the Government's published criteria on asset pooling within the Local Government Pension Scheme universe. The Chairman thanked officers for the report and oral update, and congratulated them on the production of a comprehensive project overview chart.

It was resolved to note the update on asset pooling.

40. MINUTES OF THE PENSION FUND COMMITTEE 29 MARCH 2018

It was resolved to note the minutes of the Pension Fund Committee held on 29 March 2018.

Chairman

Agenda Item No: 4a

Cambridgeshire Local Pension Board

Minutes - Action Log

Cambridgeshire County Council

Introduction:

This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Committee to update Members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 22 June 2018.

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 27 October 2017						
6.	**Governance and Legislation Report**	Mark Whitby	Include PFB's concerns at effect of exit cap on employees in response to forthcoming consultation on the issue	Officers would respond to the consultation at the appropriate time.	Completed – Exit cap plans delayed. The item will be picked up again when on the Government agenda again.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 23 February 2018						
17.	**Minutes and Action Log**	Mark Whitby	Circulate details of Local Pension Board Liability Insurance cover to Board members as soon as it has been arranged.	See minute 28 below	Completed	
23.	**Overseas Pensioners Proof of Existence Exercise**	Joanne Walton	Bring further update on the exercise to the Board once it had been completed	Added to agenda plan for July 2018	Completed	

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 20 April 2018						
28.	**Minutes and Action Log**	Mark Whitby	Forward policy terms and conditions of Local Pension Board Liability Insuranceto Board members as soon as they are received.	Sent on 24 April 2018	Completed	
31.	**Governance and Legislation Report**	Joanne Walton	Provide update on the 'Elmes versus Essex County Council' case at nextmeeting.	Added to agenda plan for July 2018 (via Governance and Compliance Report)	Completed	
32.	**Cambridgeshire Pension Fund Conflicts of Interest Policy**	Rob Sanderson	Obtain members' completed Declarations of Interest.	Democratic Services already hold completed declarations of interest forms for all Board members	Completed	
35.	**General Data Protection Regulation**	Ruth Yule	Add an item on monitoring compliance with GDPR to agenda plan for next meeting	Added to agenda plan for July 2018 (via Governance and Compliance Report)	Completed	
36.	**Forward agenda plan**	Ruth Yule	Supply clarification on arrangements for electing the Board's Chairman and Vice-Chairman	The answer obtained and sent to members on 21 May 2018 was that the whole Board does take part in both elections, and it was merely a convention that the sector from which the Chairman/woman was drawn alternated each year.	Completed	

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**LGSS Pensions Service Administration Performance Report**
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board.
Recommendations	**The Pension Fund Board are asked to note the Administration Performance Report**
Enquiries to:	Michelle Oakensen – LGSS Pensions Governance Officer moakensen@northamptonshire.gov.uk

1. Background

1.1 One of the core functions of the Pension Board 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 Board.

2. Administration Reporting

2.1 Variances against the forecast of investments and administration expenses

2.1.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pensions Committee in March 2018.

2.2 Key Performance Indicators – LGSS Pensions Service

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

2.2.2 For the period 1 March to 31 May 2018 the Fund has met all targets with the exception of 1 amber rating. The detail surrounding the performance of the service can be found in **appendix 1**.

2.3 Receipt of Employee and Employer Contributions

2.3.1 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.

2.2.2 The table in **appendix 1** of the report shows the percentage of employers in the Northamptonshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1 May 2017 to 30 April 2018.

2.2.3 Details of late paying employers for February, March and April can be found in **appendix 2** (private) of the report.

3. 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*

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	**Mitigation**	**Residual Risk**
There are no risks associated with managing the administration performance of the scheme.	Key areas of control to be reported to the Pension Committee and Pension Fund Board are highlighted in the Fund's Business Plan.	Green

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

Risk	**Risk Rating**
If the Fund does not monitor and report administration standards the Fund will not demonstrate that it has appropriate control over the management of its core functions.	Amber

6. Communication Implications

Direct Communications	The Fund publishes its performance against the key performance indicators in the regular reports to the Pension Committee and Pension Fund Board and in the Fund's Annual Report.

7. Legal Implications

7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 LGSS Pensions Service Administration Report

11.2 Appendix 2 Details of late paying employers – private appendix

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 June 2018

Appendix 1 – LGSS Pensions Service Administration Report

Variances against the forecast of investments and administration expenses

Fund Account	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	(128,000)	(128,410)	(410)	There has been a small increase in active membership above levels originally expected
Transfers in from other pension funds:	(5,400)	(4,910)	490	Demand led.
Total income	**(133,400)**	**(133,320)**	**80**	
Benefits payable	1000,000	99,345	(655)	Less than 1% variance
Payments to and on account of leavers	5,400	10,126	4,726	Demand led. Note that 2016/17 was £10.4m
Total Payments	**105,400**	**109,471**	**4,071**	
Management Expenses	8,156	8,051	(105)	See analysis below
Total income less expenditure	**(19,844)**	**(15,798)**	**4,046**	
Investment income	(29,000)	(37,500)	(8,500)	Variance due to investment performance
Taxes on income	-	-	-	
(Profit) and losses on disposal of investments and changes in the market value of investments	(75,000)	129,466	204,466	Variance due to investment performance
Net return on investments	**(104,000)**	**(91,966)**	**195,966**	
Net (increase)/decrease in the net assets available for benefits during the year	**(123,844)**	**76,168**	**200,012**	

Administration Expenses Analysis	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	**£000**	**£000**	
Staff Related	1,321	1,296	(25)	Vacant posts during the year
Altair System	261	260	(1)	
GMP/Payroll Reconciliation Project	150	102	(48)	Underspend due to timing, carried forward to 2018/19
Communications	54	28	(26)	Efficiencies in electronic communications and joint communication projects
Other Non-Pay and Income	100	94	(6)	
County Council Overhead Recovery	608	609	1	
Total Administration Expenses	**2,494**	**2,389**	**(105)**	

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Management Expenses	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	**£000**	**£000**	
Total Administration Expenses	2,494	2,389	(105)	
Total Governance Expenses	432	432	-	
Total Investment Expenses	5,230	5,230	-	
Total Management Expenses	**8,156**	**8.051**	**(105)**	

Key Performance Indicators – LGSS Pensions Service March, April and May 2018

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	Mar: 188 Apr: 289 May: 328	188 289 328	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	Mar: 30 Apr: 43 May: 36	29 43 35	1 0 1	97% 100% 97%	Green Green Green	SLA target met SLA target met SLA target met
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	Mar: 30 Apr: 21 May: 26	28 21 26	2 0 0	93% 100% 100%	Amber Green Green	Please see comment below * SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	Mar: 59 Apr: 64 May: 93	58 61 92	1 3 1	98% 95% 99%	Green Green Green	SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	Mar: 16 Apr: 34 May: 9	16 33 9	0 1 0	100% 97% 100%	Green Green Green	SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	Mar: 4 Apr: 14 May : 8	4 14 8	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met

*2 cases were missed due to staff sickness. In the future when a team member informs us of sickness, we will run an outstanding workflow report to pick up their outstanding cases, to ensure these are not missed.

Green: **Equal to or above SLA target.**

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

Red: **If there is a statutory target - below SLA target and 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.

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
May 2017	97.7	2.3	91.7	8.3
June 2017	98.0	2.0	96.0	4.0
July 2017	95.3	4.7	94.3	5.7
August 2017	97.6	2.4	97.3	2.7
September 2017	98.0	2.0	97.7	2.3
October 2017	97.2	2.8	95.8	4.2
November 2017	98.8	1.2	98.4	1.6
December 2017	99.1	0.9	99.1	0.9
January 2018	98.6	1.4	98.6	1.4
February 2018	99.3	0.7	99.3	0.7
March 2018	99.3	0.7	98.6	1.4
April 2018	97.8	2.2	95.0	5.0
Average for period	**98.1**	**1.9**	**96.8**	**3.2**

Agenda Item No: 6

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**Pension Fund Annual Business Plan Update report 2018-19**
Purpose of the Report	To present the Pension Fund Business Plan Update for the first meeting of the 2018/19 financial year to the Pension Fund Board.
Recommendations	The Board are asked to note and monitor the progress made against the Pension Fund Business Plan for the first meeting of the 2018/19 financial year.
Enquiries to:	Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.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 Board on a regular basis. This update highlights the progress made on the key activities during the first quarter of the 2018/19 Business Plan which was approved by the Pensions Committee on 23 March 2018 and presented to the Pension Fund Board on 20 April 2018.

2. Key Pension Fund Activities

2.1 Service Delivery

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Increase staff retention	✓G			
SD3	Implement additional posts	✓A			

2.1.1 SD1 - Staff recruitment/retention

Action - Keep under review our ability to recruit and retain staff, ensuring any financial or reputational issues with a partner organisation do not impact the governance and administration of the Fund, taking remedial action where necessary.

Update – No recruitment/retention issues to report Q1. Staff development initiatives embedded through normal performance appraisal process.

2.1.2 SD3 – Implement additional posts to structure

Action - Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds.

Update – Posts being entered into establishment before being recruited to. Brand new posts additionally being specified and evaluated. All posts should be recruited to by close of Q2.

2.2 Governance and compliance

Reference	Key action/task	2018/19 Q1	Q2	Q3	Q4
GC5	The General Data Protection Regulation compliance	✓G			
GC6	Data improvement plan	✓G			
GC8	Guaranteed Minimum Pension reconciliation / rectification	✓G			
GC9	Pensioner administration v pensioner payroll records rectification	✓G			

2.2.1 GC5 – The General Data Protection Regulation (GDPR) compliance

Action - The administering authority must demonstrate compliance with the GDPR by 25 May 2018 when the regulation became enforceable after a two year transition period.

Update –LGSS Pensions has fully completed all demonstrable compliance actions within its remit as follows:

- Publication of the full and summary privacy notices
- Issuance of Memorandum of Understanding to scheme employers
- Production of an Information Asset Register and Record of Processing Activities
- Legal verification that Pension Fund procured existing contracts or variation agreements (e.g. software, independent data audit services, additional actuarial services, overseas pension payments transmission, etc) are compliant with GDPR.

Other activities such as appointing a named Data Protection Officer and legal verification of corporately procured contracts (e.g print and design) remain the responsibility of Northamptonshire County Council.

A more detailed update on GDPR can be found in the Governance and Compliance report to be presented at this meeting.

2.2.2 GC6 - Data improvement plan

Action - It is a requirement of the Pensions Regulator's code of practice on the governance and administration of public service pension schemes to have in place a data improvement plan.

Update – LGSS Pensions have formed a joint partnership with ITM Limited to produce an in-depth audit of the scheme's membership data. At the time of writing this report, the final data audit report was pending completion from which the content would be used to form the basis of the data improvement plan. It is expected that the data improvement plan will be drafted for comments by the Local Pension Board and to be presented to the Pension Committee for approval during the financial year. Work will continue to be undertaken to improve the quality of the Fund's data during this time.

2.2.3 GC8 - Guaranteed Minimum Pension reconciliation / rectification

Action - Following the introduction the end of contracting-out on 6 April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. HMRC are currently operating, until 31 December 2018, a reconciliation service in order for schemes to query and amend the data held.

Update – Following completion of the analytical services of ITM Limited and subsequent investigation of more complex cases by LGSS Pensions all queries have now been sent to ITM Limited to be raised with HMRC for resolution. This has been achieved five months ahead of HMRC's deadline for receiving queries. ITM have committed to sending information to the HMRC by 31 October 2018 which allows for a two month query period in order to meet the ultimate deadline of 31 December 2018. Upon receipt of the final listing of contracting-out liabilities, the rectification of any resulting over or underpayments of pension will begin.

2.2.4 GC9 - Pensioner administration v pensioner payroll records rectification

Action - In October 2016, the Fund migrated its pensioner payroll from the County Council's Oracle payroll solution to Altair payroll and in January 2017 the Altair pensioner administration records were merged with the Altair pensioner payroll records and following an analysis of the two sets of data a number of over and underpayments of pension were identified and require rectification.

Update – Completion of the reconciliation in December 2017 identified 92 underpayments of pension that were rectified between February and May 2018. Rectification of the 154 potential overpayments identified will commence from June 2018 following in depth research and planning that has taken place to ensure to the most appropriate and lawful processes are undertaken to reclaim overpayments of pension. A revised Overpayment of Pensions Policy was presented to the Pension Committee's approval on 24 May 2018.

2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
CSEM4	Monitoring/understanding the member experience	✓G			
CSEM5	Review resilience to cyber crime	✓G			
CSEM6	In-house hosting by LGSS IT	✓G			
CSEM7	Development of employer resources	✓G			
CSEM8	Implementation of HEAT	✓G			
CSEM9	Implementation of ill health self-insurance/pooling	✓G			

2.3.1 CSEM4 – Monitoring/understanding the member experience

Action - During the 4th quarter of 2017/18, a new member survey was issued to all members following contact with officers to measure the level of satisfaction in their experience dealing with the Fund. The results of the survey will be collated and analysed and an action plan developed for improving member experience.

Update - The number of responses to the survey have been extremely low and it is not currently possible to assess the general member experience. Up to now, individual officers have been responsible for issuing a link to the survey, via email.

A new process is being put in place to centrally collate the details of these individuals and they will be sent nightly directly through Survey Monkey, to allow us to track the response rate compared to the number of invitations. Once the effectiveness of this has been assessed we will decide an appropriate approach for the future.

2.3.2 CSEM5 - Review resilience to cyber crime

Action - Cybercrime is becoming an increasing threat to pension funds so it is important to review resilience to such attacks via both internally and externally hosted platforms.

Update - The Employer Services and Systems Manager recently attended a CIPFA discussion day about the Government's National Cyber Crime Strategy and how this is being applied in Local Government. A report will be prepared for the Head of Pensions summarising the key threats, action taken internally and externally to protect against Cyber Crime and what action the Fund should be taking. The Risk Register will be updated to reflect the findings.

Proposed action for the Fund will centre on educating staff and employers on how best to protect themselves against Cyber Crime which in turn will help keep the Fund secure.

2.3.3 CSEM6 - In-house hosting by LGSS IT

Action - In-house hosting of pensions server from Aquila Heywood to LGSS

Update – This is an LGSS IT project. Officers will establish where it sits within the LGSS strategy once a new LGSS Director of IT has been appointed.

2.3.4 CSEM7 – Development of employer resources

Action - The Fund will continue to investigate and implement appropriate improvements to the resources available to employers for providing accurate and timely information, including expanding the monthly collection of data via i-Connect.

Update - The Employer Services team have been having discussions with a select group of small employers to test a new facility for the monthly provision of data, with the trials to start later in the year.

The team has also been developing a new training programme including a specific suite of training for inducting new employers. A new employer website has also been launched to improve our web offering and level of information available to employers online.

2.3.5 CSEM8 – Investigation into use of Hymans Robertson Employer Asset Tracker (HEAT)

Action - HEAT is a unitised approach to tracking employer assets developed by Hymans Robertson, the Fund's actuary. This approach allows the Fund to track individual employer assets on a monthly basis leading to more accurate and transparent valuations for individual employers.

Update – Initial discussions have been held with the Actuary and a more in depth meeting has been planned for June to look at HEAT in greater detail. Following this a recommendation will be taken to the Committee and Board over the possible implementation of HEAT.

2.3.6 CSEM9 – Implementation of ill health self-insurance/pooling

Action - The Fund will work with the actuary to develop and implement new processes for pooling ill health risk and administering the self-insurance arrangements, including oversight of employer decisions to ensure appropriate decisions are being made. Following this a communication plan will be developed to inform employers of the new processes and requirements.

Update - New processes have been put in place for monitoring employer decisions, which will involve a high level review of each case. Cases will be escalated to the Employer Services team to discuss with employers if any concerns are raised.

A periodic assessment of each employer's ill health experience, against the average for the Fund, will also be carried out by the Employer Services team. The team will engage with any employers that have a greater experience than expected, above appropriate tolerance levels.

Training will be offered, where required, to improve decision making by relevant employers. Ultimately, the Fund retains the option to remove any employers from the arrangement, if they are deemed to not be making appropriate decisions after additional training has been provided. These employers will be expected to pay for their own ill health experience.

2.4 Operations

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th></tr>
<tr><td>Ops1</td><td>Processing of undecided leavers</td><td colspan="4">✓G</td></tr>
<tr><td>Ops2</td><td>Establish ESCROW account for ‘out of scheme’ payments</td><td colspan="2">✓A</td><td></td><td></td></tr>
</table>

2.4.1 Ops1 – Processing of undecided leavers

Action - The Fund has a number of undecided 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. An in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category is required.

Update – Detailed analysis of the member records is underway and a full action plan for each tranche of casework will be taken to both the Committee and Board. In tandem with this, bulk processing opportunities are currently being explored/implemented.

2.4.2 Ops2 – Establish ESCROW account for ‘out of scheme’ payments

Action - The Fund requires a non-interest bearing ESCROW account belonging to the administering authority to hold specific pension scheme benefits that if not paid to the appropriate recipients within a specific period of time, then become an unauthorised payment subject to tax charges on both the scheme member or beneficiary and the scheme.

Update – The establishment of an ESCROW account has been deferred due to year end pressures. Initial discussions to understand the requirements were held at the end of May 2018 and work will be undertaken in quarter 2.

2.5 Investments, accountancy and cash flow management

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th></tr>
<tr><td>IA3</td><td>Direct investment</td><td colspan="4">✓</td></tr>
<tr><td>IA4</td><td>Responsible investment</td><td colspan="4">✓</td></tr>
<tr><td>IA6</td><td>Strategic Asset Allocation review</td><td colspan="4">✓</td></tr>
</table>

2.5.1 IA3 – Direct Investment

Action - Appoint a manager to create a bespoke local investment fund for the Cambridgeshire Fund, capable of investing in a range of asset classes and to investment parameters agreed by the Pension Fund Committee. Appoint a consultant under Lot 2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

Update - Officers are progressing the appointment of a consultant under Lot2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

2.5.2 IA4 – Responsible investment

Action - Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG integration into investment manager decisions, and monitoring and reporting of investment manager voting.

Update - This is programmed in for the latter half of the 2018-19 financial year and remains on track.

2.5.3 IA6 – Strategic Asset Allocation review

Action - Undertake a full review of the strategic asset allocation of the Fund to ensure the Fund has an appropriate allocation between asset classes in light of its liabilities and funding level. Review to include the different role each asset class plays in the portfolio construction and an investigation into different solutions available for the Fund to invest in.

Update - Papers were considered by the Investment Sub Committee at the 18 May 2018 meeting, recommending the continued implementation of the existing strategy to grow alternative investment options funded over time from listed equities.

3. Relevant Fund objectives

Continually monitor and measure clearly articulated objectives through business planning.

4. Risk Implications

a) Risk(s) associated with the proposal

Risk	**Mitigation**	**Residual Risk**
There is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

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

Risk	Risk Rating
If the Fund does not have a Business Plan Update there will be significant lack of direction, control and structure in the management of its business.	Green

5. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee and Board at quarterly business meetings.

6. Legal Implications

6.1 Not applicable

7. Consultation with Key Advisers

7.1 Consultation with the Funds advisers was not required for this report.

8. Alternative Options Considered

8.1 Not applicable

9. Background Papers

9.1 Annual Business Plan and Medium Term Strategy 2018/19 – https://cmis.northamptonshire.gov.uk/cmis5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/2962/Committee/412/Default.aspx

10. Appendices

10.1 Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 5 June 2018

Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

Service Delivery

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>SD1</td><td>Increase staff retention</td><td colspan="4">✓</td><td></td><td></td></tr>
<tr><td>SD2</td><td>Obtain full Customer Service Excellence standard accreditation</td><td></td><td colspan="2">✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>SD3</td><td>Implement additional posts</td><td>✓</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Governance and Compliance

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>GC1</td><td>Legal services procurement</td><td></td><td colspan="2">✓</td><td></td><td></td><td></td></tr>
<tr><td>GC2</td><td>Mortality screening / member tracing services procurement</td><td></td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>GC3</td><td>Soft market testing for administration and payroll system procurement</td><td></td><td></td><td></td><td></td><td></td><td>✓</td></tr>
<tr><td>GC4</td><td>Review Additional Voluntary Contribution fund range</td><td></td><td></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>GC5</td><td>The General Data Protection Regulation compliance</td><td>✓</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>GC6</td><td>Data improvement plan</td><td colspan="6">✓</td></tr>
<tr><td>GC7</td><td>Liability reduction exercises</td><td></td><td></td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>GC8</td><td>Guaranteed Minimum Pension reconciliation / rectification</td><td colspan="5">✓</td><td></td></tr>
<tr><td>GC9</td><td>Pensioner administration v pensioner payroll records rectification</td><td colspan="4">✓</td><td>✓</td><td></td></tr>
</table>

Communications, Systems and Employer Management

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>CSEM1</td><td>Employer covenant monitoring</td><td></td><td colspan="2">✓</td><td></td><td></td><td></td></tr>
<tr><td>CSEM2</td><td>Investigate and prepare for move to electronic communications as standard</td><td></td><td colspan="2">✓</td><td></td><td></td><td></td></tr>
<tr><td>CSEM3</td><td>Promotion of member self service</td><td></td><td colspan="2">✓</td><td></td><td></td><td></td></tr>
<tr><td>CSEM4</td><td>Monitoring/understanding the member experience</td><td colspan="2">✓</td><td></td><td></td><td></td><td></td></tr>
<tr><td>CSEM5</td><td>Review resilience to cyber crime</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>CSEM6</td><td>In-house hosting by LGSS IT</td><td colspan="4">✓</td><td></td><td></td></tr>
<tr><td>CSEM7</td><td>Development of employer resources</td><td colspan="4">✓</td><td>✓</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>CSEM8</td><td>Implementation of HEAT</td><td colspan="2">✓</td><td></td><td></td><td></td><td></td></tr>
<tr><td>CSEM9</td><td>Implementation of ill health self-insurance/pooling</td><td>✓</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>CSEM10</td><td>Preparation for the 2019 valuation</td><td></td><td></td><td colspan="3">✓</td><td></td></tr>
</table>

Operations

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>Ops1</td><td>Processing of undecided leavers</td><td colspan="5">✓</td><td></td></tr>
<tr><td>Ops2</td><td>Establish ESCROW account for ‘out of scheme’ payments</td><td colspan="2">✓</td><td></td><td></td><td></td><td></td></tr>
</table>

Investments, accountancy and cash flow management

<table>
<tr><th rowspan="2">Reference</th><th rowspan="2">Key action/task</th><th colspan="4">2018/19</th><th colspan="2">Medium term</th></tr>
<tr><th>Q1</th><th>Q2</th><th>Q3</th><th>Q4</th><th>2019/20</th><th>2020/21</th></tr>
<tr><td>IA1</td><td>Investment consultancy services re-tender</td><td></td><td></td><td></td><td></td><td></td><td>✓</td></tr>
<tr><td>IA2</td><td>Global custody services re-tender</td><td></td><td></td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>IA3</td><td>Direct investment</td><td colspan="4">✓</td><td></td><td></td></tr>
<tr><td>IA4</td><td>Responsible investment</td><td colspan="4">✓</td><td></td><td></td></tr>
<tr><td>IA5</td><td>Asset pooling</td><td></td><td></td><td colspan="4">✓</td></tr>
<tr><td>IA6</td><td>Strategic Asset Allocation review</td><td colspan="5">✓</td><td></td></tr>
</table>

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**Review of the Reporting Breaches of the Law to the Pensions Regulator Policy**
Purpose of the Report	To present the review of the Reporting Breaches of the Law to the Pensions Regulator Policy to the Pension Fund Board.
Recommendations	**The Board are asked to -** 1. Provide recommendations to the Pension Fund Committee on the Reporting Breaches of the Law to the Pensions Regulator Policy provided in the appendix to this report
Enquiries to:	Name – Michelle Oakensen, Governance Officer, moakensen@northamptonshire.gov.uk

1. Background

1.1 In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund has developed a policy that sets out the mechanism for reporting breaches of the law.

1.2 The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.

1.3 The policy was first approved by the Pension Fund Committee in October 2015 and is currently being reviewed for approval at the October 2018 meeting. The Pension Fund Board are asked to feed into this process by providing any recommendations to the review where appropriate.

1.4 The revised Reporting Breaches of the Law to the Pensions Regulator Policy is attached in Appendix 1.

2. The Pensions Regulator Code of Practice

2.1 The Code of Practice identifies those individuals responsible for reporting breaches of the law and the associated legal requirements

2.2 The policy provides the process to report a breach to the Regulator and details surrounding timescales and urgency of cases.

2.3 The policy also identifies the need to record breaches that are not significant to the Regulator in order that processes can be improved to avoid repeated occurrences.

2.4 Examples of breaches of significance and non-significance are documented in the appendix of the report, the purpose is to put into context the policy and when it may need to be enforced. Individuals will need to apply the principles of the policy when acting on reasonable cause to report a breach.

3. Changes to the Policy

3.1 The policy has been enhanced providing more clarification over significant material breaches and a decision tree featuring a traffic light system has been incorporated in order to make the assessing of breaches easier.

3.2 Additional appendices have also been added which provide additional examples of breaches.

3.3 All changes made to the document can be found in appendix 3.

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

4. Finance & Resources Implications

4.1 Resources will need to be prioritised if a breach occurs to ensure compliance with the policy.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is not the appropriate understanding of the policy.	Training, explanation of the policy upon delivery and supporting documents.	Green

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

Risk	Risk Rating
If the policy is not enforced incidences of breaches of the law may go unreported to the Pensions Regulator. It is better to self-report breaches of the law than for other parties such as advisors to the Fund to report identified breaches.	Red

6. Communication Implications

Direct Communications	All individuals who are involved in the administration of the Fund will be advised of their obligations to report breaches of the law and the associated procedure as detailed in the policy.
Website	The policy will be published on the LGSS Pensions Service website.

7. Legal Implications

7.1 Failure to adhere to the policy and to implement effective controls to prevent breaches of the law may result in fines and imprisonment of those charged with responsibility of the Fund.

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Reporting Breaches of the Law to the Pensions Regulator Policy 2018

11.2 Appendix 2 – Reporting Breaches of the Law to the Pensions Regulator Policy 2015

11.3 Appendix 3 – Comparison between the 2015 and 2018 policy.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 18 June 2018

Cambridgeshire
Pension Fund

Reporting Breaches of the Law to the Pensions Regulator Policy 2018

LGSS

Contents

1. Introduction

1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).

1.2 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.

1.3 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

2. Policy Objectives

2.1 The Funds' objectives related to this policy are as follows:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies; and

- Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

3. Purpose of the policy

3.1 The purpose of the policy is to –

- Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise;

- Ensure that stakeholders of the Funds' are given appropriate information in order to understand the consequences of a breach; and

- Ensure adequate procedures are in place to fully comply with the Code of Practice.

4. Effective date

4.1 This policy was first approved by the Pensions Committee on 22 October 2015and the policy was reviewed and revised with effect from from xx.

5. Review

5.1 This Policy on Reporting Breaches of the law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed every 2 years to ensure it remains accurate and relevant.

6. Scope

6.1 The policy applies to:

- officers of the Funds;
- members of the Pension Committees;
- members of the Pension Boards;
- employers of the Funds;
- relevant stakeholders; and
- professional advisors.

7. Legal Requirements

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

8. Reasonable Cause

8.1 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- **cause of the breach** - e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- **effect of the breach** - does the nature of the breach lead to an increased likelihood of further material breaches. Is it likely to cause, for example; ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- **reaction to the breach** - e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- **the wider implications of the breach** - e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The decision tree provides a “traffic light” system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the LGSS Pensions breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The administering authority will need to decide whether to informally alert the Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

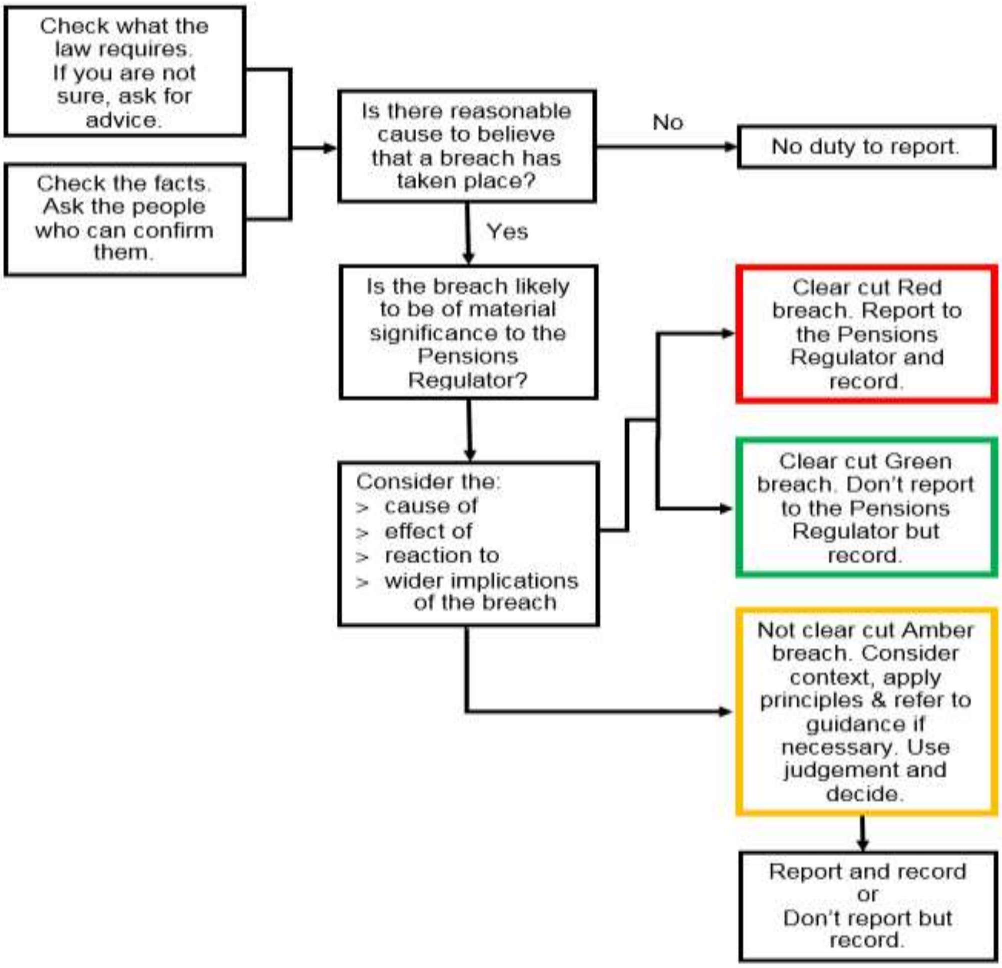
Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The administering authority must report all such breaches to the Regulator in all cases;

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

9.5 Cambridgeshire Pension Fund will use the Pension Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Pensions Regulator.

9.6 Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the Governance and Regulations Manager, in consultation with the Head of Pensions must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary.

9.7 Significant breaches must also be reported to the Section 151 officer, Chairmen of the Pension Committee and Local Pension Board, a full report to be submitted at the next available meeting for members.



6

9.8 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

9.9 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Pensions Regulator will not normally consider this to be materially significant.

9.10 A breach is likely to be of concern and material significance to the Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; and
- fail to notify affected scheme members where it would have been appropriate to do so.

10. Guidance on reporting a breach to the Pensions Regulator

10.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement needs to be made on whether the Regulator would regard the breach as being material.

10.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.

10.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.

10.4 Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- full name of the Fund;
- description of the breach or breaches;
- any relevant dates;
- name of the employer or scheme manager (where known);
- name, position and contact details of the reporter; and

- role of the reporter in relation to the Fund.

  Additional information that would assist the Pensions Regulator would include, the reason the breach is thought to be of material significance to the Regulator; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

10.5 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

10.6 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

10.7 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

10.8 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

10.9 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

11. Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund.

11.1 The following table details the process for reporting material and non-material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
Urgent and Material	Responsible officer informs head of pensions and governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence. The Governance team will also liaise with the Pension Regulator where applicable to come to a satisfactory resolution.	These breaches must also be reported to the Section 151 Officer, Chairmen of both the Pension Committee and Local Pension Board, with a full report to be submitted at the next available meeting for members.
Non urgent and material	Responsible officer informs head of pensions and governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pension Committee/Pension Board meeting.
Immaterial	Responsible officer informs head of pensions and governance team within 30 days.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report immaterial breach at next Pension Committee/Pension Board meeting.

12. Whistle blowing protection and confidentiality

12.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

12.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

12.3 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

12.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistle blowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

13. Training

13.1 The Head of Pensions will ensure that all relevant Officers, Pension Fund Committee members and Local Pension Board members receive relevant signposting to this policy and provide appropriate training as required.

14. Contact details

14.1 The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW
Tel – 0845 600 0707
E-mail – customersupport@tpr.gov.uk

14.2 Mark Whitby
Head of Pensions
One Angel Square
Angel Street
NN1 1ED
Tel – 07990 556197
E-mail – mwhitby@northamptonshire.gov.uk

15. Further guidance

Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents

Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made

Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents

Local Government Pension Scheme Regulations (various):
http://www.lgpsregs.org/timelineregs/Default.html(pre 2014 schemes)
http://www.lgpsregs.org/index.php/regs-legislation(2014 scheme)

The Pensions Regulator's Code of Practice:
http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx

Appendix 1 - Examples of breaches, but not limited to -

Example 1
An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2
An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 3
A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 4
A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Example 5
Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

Appendix 2 – Examples of Scheme Disclosures

Any deadline not achieved under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is classed as a breach of the law, it is the responsibility of Cambridgeshire Pension Fund to assess whether these are likely to be of material significance to the Pensions Regulator.

The table below sets out some of the key disclosure requirements that schemes must satisfy so that they do not breach the disclosure regulations –

Information	**Requirement**
Provision of basic scheme information to a prospective member	Within one month of the scheme receiving their job holder information. If no such information has been received, within two months of them joining the scheme.
Provision of scheme's annual report	Within two months of the request being received.
Benefit statements for benefits other than Defined Contribution	Within two months of the request being received.
Provision of summary funding statements	Within a reasonable period (normally three months) after the last date on which the scheme is legally required to obtain an actuarial valuation.
Provision of information on death of a member	Within two months of the scheme being notified of the death.
Rights and options to be provided to early leavers	Within 2 months after being notified by the member or their employer that active membership has ceased.

Appendix 3 – Other matters that are likely to be of material significance to the Pensions Regulator

The below table demonstrates matters that the Pension Regulator is likely to deem of material significance in regards to Cambridgeshire Pension Fund meeting its statutory objectives –

Pension Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered.
Pension Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role.
Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time.
Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement.
Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded.
Any other breach which may result in the Fund being poorly governed, managed or administered.

Cambridgeshire
Pension Fund

Reporting Breaches of the Law to the Pensions Regulator Policy 2015

LGSS

Contents

1. Introduction

1.1 This is the Reporting Breaches of the Law to the Pension Regulator Policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).

1.2 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

1.3 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) Governance and administration of public service pension schemes. The code refers both to statutory duty as well as advisory and practitioners have a duty to follow the code in reporting breaches of the law.

2. Policy Objectives

2.1 The Funds' objectives related to this policy are as follows:

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies; and

Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

3. Purpose of the policy

3.1 The purpose of the policy is to –

Ensure individuals have the correct understanding and necessary skills to be able to identify and report breaches as they arise;

Ensure that stakeholders of the Funds' are given appropriate information in order to understand the consequences of a breach; and

Ensure adequate procedures are in place to fully comply with the Code of Practice.

4. Effective date

4.1 This policy was approved by the Pensions Committee on 22 October 2015 and effective from 23 October 2015.

5. Review

5.1 This Policy on Reporting Breaches of the law to the Pensions Regulator is expected to be appropriate for the long-term but it will be reviewed annually to ensure it remains accurate and relevant.

6. Scope

6.1 The policy applies to:

- officers of the Funds;
- members of the Pension Committees;
- members of the Pension Boards;
- employers of the Funds;
- relevant stakeholders; and
- professional advisors.

7. Legal Requirements

7.1 Individuals (as identified in paragraph 6) are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

8. Reasonable Cause

8.1 Having ‘reasonable cause’ to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8.2 Checks need to be made in order to ensure a breach has occurred and that the report is not made on suspicion alone. If an individual does not feel they can be 100% certain of a breach it would be prudent to discuss the case with a senior colleague or advisor to the Fund, however if the suspicion is around theft, fraud or other serious offences where discussions may alert the those implicated or impede the actions of

the police or a regulatory authority, the reporter should go to the Regulator directly and at the earliest opportunity.

8.3 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action particularly if it is a significantly material breach. A delay in reporting may exacerbate or increase the risk of the breach.

8.4 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

9. Material Significance

9.1 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach.

9.2 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

9.3 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

9.4 The breach is likely to be of material significance to the Regulator where it was caused by:

- dishonesty;
- poor governance or administration;

- slow or inappropriate decision making practices;
- incomplete or inaccurate advice; or
- acting (or failing to act) in deliberate contravention of the law.

9.5 Reporters need to consider the effects of any breach, but with the Regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the Regulator:

- Pension Committee and Pension Board members not having the appropriate degree of knowledge and understanding, which may result in the Committee/Board not fulfilling its role, the Fund not being properly governed and administered;

- Pension Committee and Pension Board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role;

- adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time;

- accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;

- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;

- anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded; and

- any other breach which may result in the Fund being poorly governed, managed or administered.

9.6 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

9.7 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.

9.8 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; and
- fail to notify affected scheme members where it would have been appropriate to do so.

9.9 Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the Regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or Pension Committee/Board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

10. Guidance on Reporting a breach to the Regulator

10.1 The guidance from the Pension Regulator on reporting breaches is as detailed below –

10.1.1 Before submitting a report responsible officers should obtain clarification of the law around the suspected breach via an appropriate method. A judgement needs to be made on whether the Regulator would regard the breach as being material

10.1.2 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded.

10.1.3 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, as a rule of thumb if a breach may lead to criminal prosecution or a serious loss in public confidence it is deemed that this type of breach that must always be reported.

10.1.4 Any report that is made (which must be in writing and made as soon as reasonable practicable) should be dated and include as a minimum:

- full name of the Fund;
- description of the breach or breaches;
- any relevant dates;
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter; and
- role of the reporter in relation to the Fund.

Additional information that would assist the Regulator would include, the reason the breach is thought to be of material significance to the Regulator; the address of the Fund; the pension scheme's registry number; and whether the concern has been reported before.

10.1.5 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

10.1.6 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

10.1.7 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose. The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

10.1.8 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

10.1.9 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

10.1.10 Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.

11. Process for reporting and recording material and non material breaches within Cambridgeshire Pension Fund

11.1 The following table details the process for reporting material and non material breaches –

Type of Breach	Timescale for reporting	Internal actions	Further actions
Urgent and Material	Responsible officer informs head of pensions and governance team, the breach is reported immediately to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report urgent and material breaches to Section 151 officer, Chairman and Vice Chairman of Committee and Local Pension Board, full report to be submitted at the next available meeting.
Non urgent and material	Responsible officer informs head of pensions and governance team, the breach is reported within 30 days to the Pensions Regulator.	Governance team to keep record of breach and investigate options to prevent further occurrence.	Report non urgent and material breach at next Pensions Committee/Pension Board meeting.
Immaterial	Responsible officer informs	Governance team to keep record of	Report immaterial breach at next

	head of pensions and governance team within 30 days.	breach and investigate options to prevent further occurrence.	Pensions Committee/Pension Board meeting.

12. Whistle blowing protection and confidentiality

12.1 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

12.2 The statutory duty to report does not, however, override legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

12.3 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

12.4 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistle blowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

13. Contact details

13.1 The Pensions Regulator
Napier House
Trafalgar Place

Brighton
BN1 4DW

Tel - 0845 6000707
E-mail - customersupport@tpr.gov.uk

13.2 Head of Pensions
John Dryden House
8-10 The Lakes
Northampton
NN4 7YD

Tel - 01604 366537
E –mail - mwhitby@northamptonshire.gov.uk

Appendix 1

Examples of breaches, but not limited to -

Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the Prudential. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Prudential. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that *is* relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A member of the Pension Committee owns a property; a report is made about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s)he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Example 6

Several overpayments are discovered and thus the administering authority has failed to pay the right amounts to the individuals concerned due to a process failure. The administering authority has failed to put a process in place to avoid reoccurrence and the combined amount is significant. In this instance there has been a breach which *is* relevant to the Regulator, in part because of the authority's failure to implement a new/improved process and in part because of the enforced breach by the administering authority.

Appendix 3 – Changes between the existing and revised Reporting Breaches of the Law Policy

The changes made on review have been made to strengthen the policy and provide more clarification around what constitutes a materially significant breach. More context has also been provided in the appendices to give examples of potential breaches.

Number	Section of policy	Change
9.1	Material Significance	Section expanded to give more detail on cause, effect, reaction and wider implications
9.4 & 9.5	Material Significance	Removed
9.6	Material Significance	Now 9.8
9.4, 9.5, 9.6 & 9.7	Material Significance	Decision tree added which includes a traffic light system to help access what a material breach is. Diagram and detail added. Replaces previous sections.
9.9	Material Significance	Removed
10.1	Guidance on reporting a breaches to the Pensions Regulator	Removed
10.1.10	Guidance on reporting a breaches to the Pensions Regulator	Removed (incorporated under new 9.4)
11.1	Process for reporting and recording material and non-material breaches within Cambridgeshire Pension Fund	Wording amended in table for the urgent and material internal control.
13	Training	Section added
14	Contact details	Previously section 13
15	Further guidance	Section added
Appendix 1	Examples of breaches	Example 2 removed
Appendix 2	Examples of Scheme Disclosures	Added
Appendix 3	Other matters that are likely to be of material significance to the Pensions Regulator	Added

Cambridgeshire Pension Fund

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**Governance and Compliance Report**
Purpose of the Report	To provide the Pension Fund Board with: 1) Information on potential, new or amending legislation affecting the LGPS; 2) Information on other pensions legislation; 3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator; 4) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and 5) Skills and knowledge opportunities.
Recommendations	**That the Pension Fund Board notes the content of the report.**
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Service E-mail: jwalton@northamptonshire.gov.uk

1. Background

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

2. Contracted-out reconciliation exercise

2.1 On 8 February 2018, the Local Government Pensions Committee (LGPC) issued a survey to administering authorities in England & Wales. The aim of the survey was to determine what stage administering authorities are at with their contracted-out reconciliation exercise.

2.2 The results of the survey shows that administering authorities are at different stages in respect of their individual types of members (e.g. active, deferred and pensioners).

2.3 The table shows 'worst' and 'best' case scenarios i.e. if an administering authority is at:

- stage 4 for pensioners and stage 2 for actives and deferred – then the 'worst' case scenario shows the administering authority at stage 2, or

- stage 4 for pensioners and stage 2 for actives and deferred – then the 'best' case scenario shows the administering authority at stage 4.

Stage	Description of Stage	No. of administering authorities at this stage	
		Worst case scenario	Best case scenario
Stage 0	Administering authority has yet to start the exercise	8	4
Stage 1	Compare administering authority data with HMRC data	20	13
Stage 2	Review data inconsistencies, raise with HMRC, agree outcome	51	42
Stage 3	Rectification	9	25
Stage 4	Reconciliation complete	0	4

2.4 Cambridgeshire Pension Fund has completed stage 2 for all categories of membership which involved the resolution of over 6,000 queries, some of which have been referred to HMRC for their records to be amended by ITM Limited who we have procured to manage this aspect of the reconciliation.

2.5 During the course of the contracted-out reconciliation exercise, the LGPC has been informed that a number of administering authorities have reached a stalemate with HMRC regarding a number of individual cases. The most problematic of which, appear to be those cases for which the administering authority cannot find any liability, though HMRC are insistent that the liability lies with the administering authority.

2.6 In order to pay a scheme benefit the scheme must have the necessary accurate data (prescribed within the scheme regulations and be in compliance with the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014) with which to calculate the defined benefits. Her Majesty's Treasury are aware of this problem and will consider this further in due course.

3. The Local Government Pension Scheme (Amendment) Regulations 2018 (SI2018/493)

3.1 These Regulations amend The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 came into force on 14 May 2018.

3.2 The significant changes are:

- A fund employer may substitute a higher level of pensionable pay where the prescribed calculation of assumed pensionable pay produces a lower level of pay than the member would normally have received. Employers should consider whether they wish to do this and, if they do, whether to do so back to 1 April 2014; once decided their discretionary policy should be amended accordingly.

- Where the liabilities of an employer exiting the fund are fully funded and there is a surplus of assets in the fund, the fund is required to pay an exit credit to the exiting employer rather than retain the surplus as was the case prior to the 14 May 2018 amendment.

- Deferred members whose active membership ended before 1 April 2014 have, from 14 April 2018, the opportunity to take early payment of their benefits as early as age 55 without requiring employer consent. Such payment can only be made at age 55 for those that left before 1 April 1998, later leavers can take early payment at any time between age 55 and their normal retirement date.

3.3 Scheme members and employers will be notified of these changes in line with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

4. McDonald (Respondent) v Newton or McDonald (Appellant) (Scotland) - Supreme Court Ruling – Pensioner on Divorce

4.1 The ruling on the above case applies equally to benefits held in the LGPS Scotland, LGPS England and Wales and the LGPS Northern Ireland, where the divorce is made under Scottish law.

4.2 The dispute was regarding the factors used to calculate the Cash Equivalent Transfer Value upon divorce. Mr McDonald argued that the court should apportion the value of his pension rights by reference only to the period in which he was an “active member” of the scheme, which is the period during which he was making contributions to the scheme. This would reflect the current process adopted by LGPS funds.

4.3 Conversely, Mrs McDonald argued that the cash equivalent transfer value should be apportioned by reference to the period of Mr Macdonald’s membership of the scheme, both when in pensionable employment and also when drawing a pension.

4.4 The Supreme Court unanimously allowed Mrs McDonald’s appeal and subsequently agreed that the period of membership should be interpreted as “the period of the person’s membership of the pension arrangement, whether or not contributions are being made in that period” citing various reasons for doing so.

4.5 This ruling sets a precedent and indicates a move away from current practice with regards to deferred and pensioner members.

5. High Court judgement in the case of Elmes v Essex County Council

5.1 This case concerns Nicola Elmes versus Essex County Council with an interested party of the Ministry of Housing, Communities and Local Government (MHCLG) which is similar to that decided upon in the Supreme Court on 8 February 2017 (Brewster v NILGOSC, the Northern Ireland LGPS).

5.2 This case was heard before the High Court on 18 January 2018 and it is understood that the outcome of this case effectively removes the requirement for a nomination form from regulations and enables an LGPS administering authority to pay a survivor's pension, to the partner (who meets the definition of co-habiting partner set out in the LGPS Regulations 2013) of a deceased scheme member who had active membership of the LGPS on or after 1 April 2008 and dies before 1 April 2014 without having completing a nomination form.

5.3 To date the full judgement of this ruling has not been released. As previously reported to the Board, the partner of a deceased Cambridgeshire Pension Fund member who died in 2011 had contacted LGSS Pensions following the Supreme Court judgement in 2017 requesting payment of a survivor's pension. As a result of the outcome of Ms Elmes' case, and contact with the Local Government Association, it has been established that the partner in question meets the revised criteria for payment of a survivor's pension and payment has now commenced; the first instalment included arrears dating back to the day after the member's death and interest.

5.4 The pensions that were paid to the scheme member's children at the higher rate as no survivor's pension was initially payable, will not be treated as overpaid unless there is a direction from the Government to that effect.

5.5 LGSS Pensions have advertised the impact of the ruling on the news pages of the Cambridgeshire Fund website.

6. Outcome of Walker v Innospec Limited and others – implications for public service pension schemes

6.1 It has been publicised on the Teachers' Pension Scheme website that following the Government's consideration of the implications for public service pension schemes of the outcome to the Walker (Appellant) v Innospec Limited and others (Respondents) case, regulatory changes will be introduced to provide that:

1. survivors of same-sex marriages and civil partnerships are to be treated in the same way as widows of opposite sex marriages (survivor benefits in relation to service from 1 April 1972 or 6 April 1978 if the marriage was after the last day pensionable service); and

2. the change applies from the date civil partnerships and same-sex marriages were implemented.

6.2 Interestingly, that the same treatment is not being extended to widowers (male survivors of opposite sex marriages).

6.3 The Ministry of Housing, Communities and Local Government have confirmed that they are currently considering their position to determine what recommendation they will make to Ministers on how to proceed with regards to the LGPS.

7. 2017 LGPS annual report

7.1 At the 2018 PLSA local authority conference, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW), launched the 2017 annual report for the English and Welsh scheme.

7.2 The aim of this Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017.

7.3 Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.3m.
- The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
- The Local Authority return on investment over 2016/17 was 19.5%. This was reflective of the better market conditions during the year.
- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m. However, this was excluding investment income.
- The funds all received unqualified external financial audit certificates from the scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman.

7.4 The report is available at www.lgpsboard.org.

8. Governance and administration survey findings published

8.1 The Pensions Regulator (TPR) have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. In total 191 of the 207 public service pension schemes completed the survey. This equates to a 92% response rate, covering 98% of all memberships.

8.2 The report sets out how TPR have interpreted the findings including, their expectations of those involved in running the schemes and what they will be doing over the next year to address the issues identified in the report. It accompanies the full research report, which shows the responses to all survey questions.

8.3 The commentary in the report highlights a number of points that LGPS administering authorities should be aware:

- The survey supports TPR's existing assessment that the top risks are scheme governance, record-keeping and internal controls.

- The survey shows that 34% of LGPS administering authorities hold fewer than four pension board meetings a year. In TPR's view, this provides inadequate opportunity for pension boards to carry out their role effectively and raises concern about the quality of governance. Since the introduction of the Local Pension Board in April 2015, the board has met 4 times a year with only one exception in 2016/17 where one meeting was cancelled due lack of confirmation of attendance.
- Only 45% of active members in the LGPS received their annual benefit by the statutory deadline. Cambridgeshire Pension Fund issued 100% of annual benefit statements by the statutory deadline.
- The summary report states 'The survey shows signs that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on the LGPS in the coming year. It should be noted that the Cambridgeshire Pension Fund has always participated in this survey and will continue to do so.
- The report concludes by saying, 'Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work with the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report.

8.4 A full analysis of the Pensions Regulator's survey results compared with the Fund's compliance with the code of practice upon which this survey is based will be presented at the next meeting of the Pension Board.

9. **2018 Scheme Return – scheme-specific data**

9.1 For the first time, the 2018 scheme return will ask administering authorities to report on their common and scheme-specific data scores. The return will specify the common data fields to measure against, but scheme managers within public service pension schemes will also be asked to select what scheme-specific data they need to pay pensions, run the scheme and to undertake fund valuations, and once selected measure against this data.

9.2 Administering authorities may well have already received some guidance on what constitutes scheme-specific data from advisers. However, to ensure consistency across all administering authorities, the SABEW are working closely with MHCLG and the Government's Actuary Department to develop a standard set of conditional data for administering authorities to use when completing this year's scheme return.

9.3 The intention is to have this ready by mid-June. The SABEW will ensure that practitioners on the scheme advisory board and Cost Management, Benefit Design and Administration committee are involved in the development of the standard list before it is circulated.

9.4 It is understood that TPR will be issuing the scheme return in July and the deadline for submission will be in September.

10. The Pensions Advisory Service dispute function moves to the Pensions Ombudsman

10.1 The LGPC has been notified that the Pensions Advisory Service's (TPAS) dispute resolution function is moving to The Pensions Ombudsman (TPO). The move includes the transfer of the TPAS dispute resolution team and volunteer network of over 350 advisers. The transfer was expected to be completed by 1 March 2018.

10.2 At present customers can approach both TPO and TPAS for help when dealing with a pension complaint. TPAS usually focussed on complaints before the pension scheme's internal dispute resolution procedure (IDRP) had been completed, whilst TPO typically deals with complaints that have been through IDRP.

10.3 Customers will be able to access all pension dispute resolution, previously handled by two services, whether pre or post IDRP, in one place, leading to a smoother customer journey and improved complaint handling. TPAS will continue to focus on providing pension information and guidance, and will become an integral part of the new Single Financial Guidance Body.

11. General Data Protection Regulation (GDPR)

11.1 The General Data Protection Regulation is regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.

11.2 The primary objectives of the General Data Protection Regulation (GDPR) are to give control back to citizens over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU.

11.3 The regulation was adopted on 27 April 2016 and becomes enforceable from 25 May 2018 after a two year transition period.

11.4 Regular reports have been provided to the Cambridgeshire Pension Fund Local Pension Board on the progress made by both Cambridgeshire County Council and by officers of LGSS Pensions in towards achieving compliance with the GDPR with respect to the operation of the Cambridgeshire Pension Fund.

11.5 The following table shows the extent of compliance achieved by the respective parties in respect of Cambridgeshire Pension Fund:

Item of compliance	Progress	Party responsible
Privacy Notice	Completed following Local Government Pensions Committee guidance. To be made available on the LGSS Pensions website prior to 25 May 2018 and signposted to all scheme members upon first communication following joining the scheme and to existing members through the issue of annual benefit statements. Pensioner members will be notified via May 2018 payslip.	LGSS Pensions
Information Asset Register	Completed	LGSS Pensions
Record of Processing Activities	Completed	LGSS Pensions
Appointment of a Data Protection Officer	Cambridgeshire County Council are in the process of recruiting a Data Protection Officer.	Cambridgeshire County Council
Pension Fund supplier contracts and Data Sharing Agreements	LGSS Law have reviewed and deemed the variation agreements received from suppliers and/or existing data sharing agreements as appropriate.	LGSS Pensions
Memorandum of Understanding (between administering authority and scheme employers)	Completed following Local Government Pensions Committee guidance. To be made available to scheme employers on the LGSS Pensions website prior to 25 May 2018. Employers will be notified of its presence on the website.	LGSS Pensions
County Council corporate contracts (for printing and postage of pensioner payslips)	At the time of writing this report, confirmation has been requested as to whether the County Council have ensured that their corporate contracts contain GDPR compliant terms.	Cambridgeshire County Council

11.6 The Pension Fund Board will be updated at the next meeting as to the extent of compliance of any outstanding items.

12. Consultations

12.1 Insolvency regime for further education and sixth form colleges: technical consultation – Local Government Association response

12.1.1 The Local Government Association (LGA) responded to the above consultation on 7 February 2018, a copy of the response can be found at the following link:

http://lgpslibrary.org/assets/cons/nonscheme/20180207IR.pdf

12.1.2 Officers were in discussions with LGA regarding the submission and had input via the LGA response which asks that appointed education administrator puts in place the appropriate safeguards to ensure that an insolvent institution does not result in its LGPS liabilities being met by other employers within the fund.

13. Skills and knowledge opportunities.

13.1 Training Events

13.1.1 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 Pensions Committee and Board to maintain the necessary skills and knowledge to undertake their role effectively.

13.1.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee and Board, appendix 1 lists all events that are deemed useful and appropriate.

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

14. Policy Monitoring

14.1 The below table demonstrates the policies that have been/will be reviewed in the 2018/19 financial year and the role of the board -

Policy/Strategy	Status	Comments	Board Involvement
Annual Business Plan and Medium Term Strategy	Completed	Presented at the March Pension Fund Committee Meeting and approved.	Post scrutiny – April 2018
Investment Strategy Statement – Statutory	Completed	Presented at the March Pensions Committee Meeting and approved.	Post scrutiny – July 2018
Conflicts of Interest Policy	Completed	Presented at the April Pension Fund Board Meeting and approved.	Board Policy - approved
Overpayments of Pension Policy	Completed	Presented at the May Pension Fund Committee Meeting and approved.	Post scrutiny – July 2018

Annual Report and Statement of Accounts	In progress	To be presented at the July AGM	Post scrutiny – scheduled for October 2018
Reporting Breaches of the Law to the Pensions Regulator Policy	In progress	To be presented at the October 2018 Pension Fund Committee meeting for approval.	Pre scrutiny – July 2018
Training Strategy	In progress	To be presented at the December 2018 Pension Fund Committee meeting for approval.	Pre scrutiny scheduled for October 2018
Cash Management Strategy	In progress	To be presented at the December 2018 Pension Fund Committee meeting for approval.	Pre scrutiny scheduled for October 2018
Data Improvement Plan	In progress	To be presented at the December 2018 Pension Fund Committee meeting for approval. New document.	Pre scrutiny scheduled for October 2018.
Risk Strategy	In progress	To be presented at the December 2018 Pension Fund Committee meeting for approval.	Post scrutiny scheduled for February 2019
Admitted Bodies, Scheme Employers and Bulk Transfer Payments	In progress	To be presented at the March 2019 Pension Fund Committee meeting for approval.	Pre scrutiny scheduled for February 2019

14.2 The following table shows the policies it has been deemed appropriate to review in 2019/20 –

Policy/ Strategy	**Previously reviewed**	**Notes**
Statement of policy about the discretionary functions – Statutory	2014	This policy only needs amending when there is a change to the Local Government Discretionary Regulations.
Funding Strategy Statement – Statutory	2016	To be reviewed in line with the 2019 actuarial valuation.
Actuarial Valuation Report – Statutory	2016	Actuarial Valuation scheduled for 2019 (triennial cycle)
Administration Strategy – Statutory	August 2017	Recently reviewed. Will be reviewed in line with Funding Strategy Statement.

Communication Strategy – Statutory	August 2017	Recently reviewed. Will be reviewed in line with Funding Strategy Statement.
Governance Policy and Compliance Statement – Statutory	October 2017	Full review carried out in 2017 to incorporate the impact of asset pooling. No fundamental changes have occurred since this time.
Anti-Fraud and Corruption Policy	October 2017	Recently reviewed and no required changed needed at this time.
Payment of Employee and Employer Contribution Policy	November 2017	Recently reviewed and no required changed needed at this time.

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

16. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report as it is a to note report.		Green

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

Risk	Risk Rating
That the Committee/Board are ill-informed about important consultations and changes affecting the Fund they are responsible for administering	Green

17. Finance & Resources Implications

17.1 Not applicable

18. Communication Implications

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.

19. Legal Implications

19.1 There are no legal implications connected to the contents of this report.

20. Consultation with Key Advisers

20.1 There has been no requirement to consult with advisers over the content of this report.

21. Alternative Options Considered

21.1 There are no alternative options to be considered.

22. Background Papers

22.1 The Cambridgeshire privacy notice can be found on the LGSS Pensions website http://pensions.northamptonshire.gov.uk/governance/information-governance/

23. Appendices

23.1 Appendix 1 List of training events/conferences.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 11 June 2018

Appendix 1 - Internal/External training and events 2018-2019				
Date	**Event**	**Training Credits**	**Target Audience**	**Website Link**
7 February 2018	**LGSS Pensions Information Day**	2	Officers, Committee/ Board Members	In house ACCESS – appointment of operator
23 February 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
26 February 2018	Local Pension Board – Spring Seminar	2	Board Members	https://www.barnett-waddingham.co.uk/events/2018/02/26/lgps-local-pension-board-members-spring-seminar The latest updates on governance and the LGPS, including a focus on key emerging issues. It will also provide opportunities for discussion on the issues you face and for networking with Board members from other funds
1–2 March 2018	LGC Investment Seminar	4	Officers, Committee/ Board Members	https://investmentseminar.lgcplus.com/ Keeping the LGPS affordable and accessible through austerity and uncertain times.
16 March 2018	Schroders Trustee Training (Part 2)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
9 May 2018	**CIPFA Skills and Knowledge Training Day**	4	Officers, Committee/ Board Members	In house/ AON Hewitt • pensions legislation • public sector pensions governance • pensions administration

21-23 May 2018	PLSA Local Authority Conference	4	Officers, Committee/ Board Members	https://www.plsa.co.uk/Events/Local-Authority-Conference
27 June 2018	LGPS Local Pension Boards Three Years on	2	Board Members	http://www.cipfa.org/training/l/lgps-local-pension-boards--three-years-on-20180627
4 July 2018	**CIPFA Skills and Knowledge Training Day**	tbc	Officers, Committee/ Board Members	In house/Mercer • financial markets and product knowledge • financial services procurement and relationship management
11–12 July 2018	Heywood Class Group AGM	4	Officers	https://www.aquilauk.co.uk/
12-13 July 2018	LGC Pension Fund Symposium	4	Officers	https://pensionfund.lgcplus.com/
6-7 September 2018	LGC Investment Summit	4	Officers, Committee/ Board Members	https://investmentsummit.lgcplus.com/
12 September 2018	**CIPFA Skills and Knowledge Training Day**	tbc	Officers, Committee/ Board Members	In house/Hymans • actuarial methods, standards and practices.
26 September 2018	Introduction to the LGPS	2	Officers, Committee/ Board Members	http://www.cipfa.org/training/i/introduction-to-the-lgps-20180926 Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework.
5 October 2018	**LGSS Pension Information Day**	2	Officers, Committee/ Board Members	In house – content to be confirmed.
12 October 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them

2 November 2018	Schroders Trustee Training (Part 1)	2	Officers, Committee/ Board Members	https://www.schrodersevents.co.uk/schroders/frontend/reg/thome.csp?pageID=474304&eventID=1363&traceRedir=2&eventID=1363 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them
5-7 December 2018	LAPFF Annual Conference	4	Officers, Committee/ Board Members	http://www.lapfforum.org/events/lapff-conference/
TBC	UBS First Steps Seminar	2	Officers, Committee/ Board Members	
TBC	UBS Second Steps Seminar	2	Officers, Committee/ Board Members	
20 – 21 November 2018	Pension Managers' Annual Conference	4	Officers	
TBC	PLSA Annual Conference	4	Officers, Committee/ Board Members	
13 February 2019	**LGSS Pension Information Day**	2	Officers, Committee/ Board Members	In house

Core training has been highlighted in the plan above. Future dates of the CIPFA modules will be distributed shortly and will also be classed as core training.

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**Cambridgeshire Pension Fund – 2018-19 Communication Plan**
Purpose of the Report	To present the Cambridgeshire Pension Fund Communication Plan for the 2018-19 scheme year
Recommendations	**The Board are asked to -** **1. Note the contents of the Communication Plan** **2. Provide appropriate recommendations to the Pension Fund Committee for the next review**
Enquiries to:	Name - Cory Blose – LGSS Employer Services and Systems Manager E-mail – cblose@northamptonshire.gov.uk

1. Background

1.1 The Local Government Pension Scheme Regulations 2013 (The Regulations) requires the Pension Fund to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers.

1.2 Regulation 63(2) requires the statement to set out the format, frequency and method of distributing information or publicity.

1.3 The Communication Plan at Appendix 1 forms part of that policy as required by Regulation 63(2) and sets out the communication activities for the 2018-19 scheme year specifying the time frame for publishing communication items.

2. The Communication Plan

2.1 The Communication Plan details the communications that we plan to send to the Fund's stakeholders, including:

Active scheme members
Deferred scheme members
Prospective scheme members
Retired scheme members
Dependant scheme members
Scheme employers
Fund staff

2.2 The plan sets firm deadlines for key communications.

3. 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 no 1)*
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 no 3)*
Continually monitor and measure clearly articulated objectives through business planning. *(Objective no 4)*
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *(Objective no 5)*
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *(Objective no 8)*
Promote the Scheme as a valuable benefit. *(Objective no 12)*
Deliver consistent plain English communications to Stakeholders. *(Objective no 13)*
Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits. *(Objective no 14)*

4. Finance & Resources Implications

4.1 There are no direct finance and resource implications of approving this plan however, the communication activities themselves will have costs and resource application which will depend entirely on the final specification of each communication activity. All planned communication activities for 2018-19 are included in the Fund budget previously agreed in the Business Plan, unless there was an explicit statement in the Business Plan to the contrary.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Risk Rating
There are no risks associated with this proposal.		Green

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

Risk	Risk Rating
Failure to comply with statutory obligations to provide members and scheme employers with certain key communications throughout the scheme year as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013	Red

6. Stakeholder Communications

Direct Communications	Not applicable
Website	The approved communication plan will be published on the LGSS Pensions website
Internal Communications	The approved communication plan will be distributed internally to officers.

7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

8.1 Consultation with the Funds advisers was not required for this report.

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Cambridgeshire Pension Fund – 2018-19 Communications Plan

Checklist of Key Approvals	
Is this decision included in the Business Plan?	
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 June 2018

Communication Plan 2018/19

MONTH	ACTIVITY						
	Active Scheme members	**Scheme employers**	**Prospective Scheme members**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
APR	Launch of new website and promotion of self-service facility	Launch of new website Employer Training Year-end reminder Quarterly Newsletter	Launch of new website and promotion of self-service facility	Launch of new website and promotion of self-service facility	Payslip Launch of new website	Payslip Launch of new website	Launch of new website
MAY	Inform members of Scheme changes resulting from LGPS Amendment Regulations Issue P60's		Scheme promotion fact sheet and poster Issue P60's	Electronic Annual Benefit Statements Inform members of Scheme changes resulting from LGPS Amendment Regulations	Inform members of Scheme changes resulting from LGPS Amendment Regulations	Inform members of Scheme changes resulting from LGPS Amendment Regulations	Communicate Scheme changes resulting from LGPS Amendment Regulations Issue P60's

MONTH	ACTIVITY						
	Active Scheme members	**Scheme employers**	**Prospective Scheme members**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
JUN	Promotions of new website and self-service facility	Employer Training		Promotion of new website and self-service facility	Promotions of new website and self-service facility	Promotions of new website and self-service facility	
Jul	Annual reports & accounts Promotion of Member Self Service	Annual reports & accounts Quarterly Newsletter	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts	Annual reports & accounts
AUG	Annual Benefit Statements* Newsletter Promotion of self-service facility			Newsletter			
SEPT		Employer Training	Scheme promotion factsheet and poster				

MONTH	ACTIVITY						
	Active Scheme members	Scheme employers	Prospective Scheme members	Deferred Scheme members	Retired Scheme members	Dependant Scheme members	Fund staff
OCT		Employer Forums Employer Training					
NOV	Promotion of self-service facility	Employer newsletter					
DEC		Employer Training					
Jan	Promotion of self-service facility						
Feb		Employer Training Quarterly Newsletter	Scheme promotion factsheet and poster				

MONTH	ACTIVITY						
	Active Scheme members	**Scheme employers**	**Prospective Scheme members**	**Deferred Scheme members**	**Retired Scheme members**	**Dependant Scheme members**	**Fund staff**
Mar	Promotion of self-service facility	Employer Forum			Newsletter Notice of introduction of electronic communications	Newsletter Notice of introduction of electronic communications	
Ad hoc Comms	Website updates	Training Workshops. Pension Bulletins Website updates Valuation Report (every 3 yrs)	Promotional Posters Website updates	Website updates	Website updates	Annual review of entitlement – May/June. Website updates	Website updates Pension Committees

* Must be an active scheme member as at 31st March in the financial year that the statement relates.

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 6 July 2018

Report by: Head of Pensions

Subject:	**Revised Overpayment of Pension Policy**
Purpose of the Report	To present the revised Overpayment of Pension Policy to the Pension Fund Board
Recommendations	**That the Pension Fund Board -** 1. Notes the changes identified in this report with regards to recovering overpayments of pension. 2. Makes recommendations for the Pension Fund Committee on the additional sections to be added. 3. Makes recommendations for the Pension Fund Committee to consider upon the next full policy review.
Enquiries to:	Name – Jo Walton, LGSS Pensions Governance and Regulations Manager E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 It is important for the Fund to have a policy on how overpayments of pension are managed once identified. Such a policy provides assurance to the Fund's stakeholders that all overpayments are treated in a fair and equitable manner and that the Fund seeks to recover overpayments and has in place steps to prevent and also investigate potential fraudulent activity.

1.2 An Overpayment of Pension Policy also strengthens the Fund's position should a complaint be made using the Internal Dispute Resolution Procedure (IDRP) which if exhausted without resolution, can be referred by the scheme member or their representative to the Pensions Ombudsman. Scheme members can also seek assistance from the Pensions Advisory Service (tPAS) at any stage.

1.3 An Overpayment of Pension Policy was initially agreed by the Pension Fund Committee in October 2015 and was deemed an appropriate time to review this policy against the information note issued by the Local Government Pensions Committee (LGPC) on overpayments of pension identified during the contracted out reconciliation exercise.

1.4 The principles within this information note apply equally to the overpayments identified in the pensions administration system versus pensioner payroll reconciliation that the Fund has been undertaking and any overpayments identified outside of these projects.

1.5 Advice has been sought from the Fund's legal advisers, Eversheds-Sutherland and the Fund's benefit and governance consultants, Aon Hewitt, to ensure that the policy is both legally appropriate and practical from a scheme administration perspective.

1.6 The revised policy was approved at the 24 May 2018 Pension Fund Committee meeting and became into effect from 25 May 2018.

2. Changes incorporated to the revised Overpayment of Pension Policy

2.1 The intention of the revised policy remains the same as the existing policy whereby the Fund will attempt to recover all overpayments.

2.2 The significant changes to the revised policy are detailed in appendix C of this report.

2.3 There has been robustness added to the revised policy with increased strength of terminology and direction in the areas of recovering an overpayment, reducing the pension to the correct level and the course of action where there is no ongoing pension to recover the overpayment from. These revisions feature throughout the policy (as referenced in appendix C) and are as below:

2.3.1 Following advice from the Fund's legal advisors, the following terminology was added to strengthen the policy when referring to recovering an overpayment:

a) "unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part)"

2.3.2 The period of time before which the overpaid pension is reduced to the correct level has been refined and is as follows:

b) The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

2.3.3 To take into account the cases where an overpayment has been identified after the pension is no longer in payment, for example on the cessation of eligibility to a child's pension or on the death of a scheme member, the following statement has been added to the policy:

c) Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £100.00 in value.

3. Next steps

3.1 It is the intention of LGSS Pensions to add to this policy sections on overpayments of retirement lump sums, death grants and transfer values as well as underpayments of pensions to provide assurance that any incorrect payment from the Fund has an established process for correction.

3.2 It is anticipated that these additional components to the policy will be presented at the October meeting of the Pension Fund Committee. If the Pension Fund Board have any recommendation to make on this aspect they will be discussed at this meeting.

3.3 In addition, a flow chart is currently under construction to assist with the drafting of letters for some of the more sensitive overpayment cases that may be identified such as where an overpayment is large in comparison to the member's monthly pension or where an overpayment is unlikely to be recovered in full due to member's age.

4. 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.
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.
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.
Continually monitor and measure clearly articulated objectives through business planning.
Deliver consistent plain English communications to stakeholders.
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Legislation on the recovery of overpayments could potentially be misinterpreted within the policy.	Legal advice has been sought from Eversheds-Sutherland and administrative advice from Aon Hewitt.	Green

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

Risk	Risk Rating
Failure to have in place a policy on managing overpayments of pension could result in claims of discrimination if cases are not dealt with equally and with recognition to the prevailing legislation.	Green

6. Finance & Resources Implications

6.1 The cost of unrecoverable overpayments of pension will be ultimately met by the respective scheme employers as reflected in their individual funding positions.

7. Communication Implications

Website	The policy is publically available on the LGSS Pensions website

8. Legal Implications

8.1 Reference must be made to the Limitations Act and previous court cases such as Webber v Department of Education when making a claim for the repayment of overpaid pensions.

9. Consultation with Key Advisers

9.1 Legal advice was obtained from Eversheds-Sutherland and administrative advice from Aon Hewitt.

10. Alternative Options Considered

10.1 There are no alternative options to be considered.

11. Background Papers

11.1 LGPC information note on pensioner overpayments
http://lgpslibrary.org/assets/gas/ew/COoverv1.0.pdf

12. Appendices

12.1 Appendix A Current Overpayment of Pension Policy (2018)

18.2 Appendix B Previous Overpayment of Pension Policy (2015)

18.3 Appendix C Changes between the 2015 and 2018 Overpayments of Pension Policies

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 June 2018

Overpayment of Pension Policy

2018

Cambridgeshire Pension Fund

LGSS

Contents

1. Introduction

1.1 This is the Overpayment of Pension Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority).

1.2 Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.

1.3 Cambridgeshire Pension Fund recognises the need to take a pro-active approach to identifying potential fraudulent activity and overpayments.

2. Policy objectives

2.1 The policy objectives aim to ensure the Fund:

- 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.

- 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.

- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;

- Identifies errors as soon as possible;

- Rectifies overpayments with the cooperation of the individual;

- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and

- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

3. Purpose of the policy

3.1 The policy is designed to provide assurance to the Fund's stakeholders that:

- all overpayments are treated in a fair and equitable manner;

- the Fund seeks to recover overpayments that have occurred but acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and

- has steps in place to prevent and also investigate potential fraudulent activity.

4. Effective date and reviews

4.1 This policy was first approved by the Pensions Committee on 22 October 2015 and was effective from 23 October 2015.

4.2 The policy was reviewed and became effective from 25 May 2018.

4.3 This policy will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

5.1 The policy applies to:

- All members and former members, which in this policy includes survivor and pension credit members of the Cambridgeshire Pension Fund who have received one or more payments from that Fund;
- Executors of the Estates of deceased Cambridgeshire Pension Fund members
- Beneficiaries of Cambridgeshire Pension Fund members where those beneficiaries have received one or more payments from that Fund
- Administrators of the scheme; and
- The Pension Fund Committee.

6. Managing overpayments of pension on the death of a scheme member

6.1 Understandably, notification of a death of a pensioner member of the scheme does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur.

6.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 or less in the instance of the death of a scheme member has been deemed by the Fund as uneconomical to pursue. In such circumstances, the Fund's approach will be that the sum written off is treated as a liability against the scheme member's former employer.

6.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.

6.4 An invoice will be raised by the Fund to recover an overpayment which is greater than £250.00 upon the death of a scheme member.

7. Managing overpayments of children's pensions failing to cease at the appropriate time

7.1 An eligible child as defined by the LGPS Regulations 2013, is entitled to receive a pension until such a time as their circumstances change and they are no longer eligible to receive a pension from the Fund.

7.2 In these cases the individual in receipt of the pension is responsible for informing LGSS Pensions of a change in circumstances to ensure the pension is ceased at the appropriate time, failure to do so would result in an overpayment.

7.3 Should an overpayment of pension occur as a result of late notification of change of circumstances, the Fund will generally seek to recover overpayments that are greater than £100.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £100.00 or less has been deemed by the Fund as uneconomical to pursue. In such circumstances, the Fund's approach will be that the sum written off is treated as a liability against the scheme member's former employer.

7.4 An invoice will be raised by the Fund to recover the overpayment which is greater than £100.00 as a result of the late notification of the change in circumstances. The invoice will be sent to the individual whose bank account the child's pension was being paid into.

8. Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement, the Fund will generally seek to recover monies that are greater than £100.00 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £100.00 (gross) or less has been deemed by the Fund uneconomical to pursue due to the administrative time involved.

8.2 Overpayments that are greater than £100.00 in value will be recovered through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

8.3 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £100.00 in value.

9. Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably aware of the overpayment.

9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate. The most common reasons are detailed in the table below but it should be noted that this is not an exhaustive list.

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.
2	Re-employment where abatement affects rate of pension due	Re-employment not notified and within the terms of the Administering Authority policy on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment. Identified through NFI exercise or other means.
3	Entitlement to pension ceasing	Non notification that a child's pension is no longer payable as the child aged 18 or above is no longer in full time education or vocational training.
4	Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
5	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long term rate.
6	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement a reduction to a pension as a result of National Insurance Modification (at State Pension Age for those members who both left the LGPS before 1 April 1998 **and** had membership before 1 April 1980).

9.2 If the scheme member has been notified of the correct rate of pension in writing and is receiving a higher amount, it can be said that the member can reasonably be aware that they are being over paid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore generally seek to recover monies that are greater than £100.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £100.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

9.4 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. and will be notified in writing of the error and the course of action to be taken.

9.5 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £100.00 in value.

10. Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment

10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware. It should be noted that the table below is not an exhaustive list;

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions)	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
2	Incorrect level of Guaranteed Minimum Pension (GMP) being paid	New information from HMRC leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will generally seek to recover monies that are greater than £100.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £100.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

10.3 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

10.4 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £100.00 in value.

11. Discretion to write off overpayments

11.1 For all scenarios mentioned above, Officers have the ability to exercise discretion in the event of legal reasons and/or exceptional circumstances and to ensure no individual is unfairly treated. If the pursuing recovery of an overpayment was to cause significant distress and/or if there are legal reasons as to why the overpayment may not be recovered (in whole or in part) this would be taken into account as would the cost effectiveness of recovery. All applications made to write off of an overpayment will be investigated on a case by case basis and final decision will be made by the appropriate officer listed in section 16 dependent upon the amount potentially being written off.

11.2 The Cambridgeshire Pension Fund has discretion to write off any amount under £250.00 in line with HM Revenue and Customs authorised payments limits and the analysis of the cost effectiveness of pursuing the claim conducted by the Fund.

12. Recovery

12.1 The Limitation Act 1980 states that "*An action founded on simple contract shall not be brought after the expiration of six years from the date on which the cause of action accrued*". However, section 32(1) of the Act effectively 'postpones' the date by which an administering authority may make a claim to recover monies in certain circumstances. It states "*the period of limitation shall not begin to run until the plaintiff has discovered the fraud, concealment or mistake (as the case may be) or could with reasonable diligence have discovered it*". The potential effect of section 32(1) in relation to any overpayment and its recovery will be considered on a case-by-case basis.

12.2 Therefore the Fund will generally seek to recover overpayments that have been discovered within the last 6 years with the relevant postponement applied if applicable in line with the Limitation Act unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).

12.3 Examples of limitation periods and how they operate in relation to overpayments are included in appendix 1 of this policy.

12.4 It should be borne in mind that where the Fund seeks to recover overpayments, there may be arguments raised as to why the overpayment should not be recovered (in whole or in part). These will need to be considered on a case-by-case basis and, if successful, may affect the ability of the Fund to recover the overpayment (in whole or in part).

13. Length of time to recover overpayment

13.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made for a 3 month period, the recovery period to repay the overpayment will be 3 months. In the event that reasonable arguments are advanced that the recovery period should be extended, the Fund can at its discretion allow an extension based on the individual's circumstances; such an extension would generally not exceed a further 50% of the period in which the overpayment occurred with scope for this period to be extended based on the scheme member's circumstances.

14. Claims of inability to repay overpayments

14.1 In cases where it is claimed that an overpayment cannot be repaid officers of the Fund will enter into negotiations with the scheme member/next of kin and an analysis of the cost effectiveness of pursuing the overpayment will be undertaken on a case-by-case basis. For large overpayments, where appropriate the Fund will seek legal advice. This approach will reduce the number of Internal Dispute Resolution Procedures applications and referrals to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Cambridgeshire Pension Fund would have demonstrated engagement and negotiation with the complainant.

15. Monitoring repayments

15.1 In cases where recovery is not being made through the payroll and an invoice has been raised, the responsibility for chasing the payment rests with the LGSS Debt Recovery Team. If a final reminder is issued, officers are notified and a decision is made by the Head of Pensions as to whether to take legal action, taking into consideration the amount and circumstances against the potential of legal action.

16. Authority to write off overpayments

16.1 In line with the County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments:

Total value of overpayment*/**	Authority to write off overpayment
No more than £250.00 (gross) on death of a pensioner No more than £100.00 (gross) on any other overpayment type	Automatic write off
Up to no more than £5,000.00 (gross)	Head of Pensions (in the absence of the Head of Pensions authority will move to the Director of Finance)
Up to no more than £24,999.99 (gross)	Cambridgeshire County Council Section 151 Officer
£25,000.00+ (gross)	Cambridgeshire Pension Fund Pension Committee
* The value of overpayment occurring within the last 6 years or appropriate period if postponement has been applied.	
** Subject to a full evidence based report produced by Officers of the Fund	

17. Reporting to the HM Revenue and Customs and effects on the Fund and individual

17.1 Administering authorities are obliged to correct any error they discover within a reasonable period of time. To do otherwise would render payments unauthorised under Section 14 of the Registered Pension Scheme (Authorised Payments) Regulations 2009. The HM Revenue and Customs have a clear steer with regards to timing, in so much that "*When a scheme discovers an overpayment it immediately becomes unauthorised and is subject to an unauthorised tax charge*".

17.2 Regulation 13 says that a payment made in error will be an unauthorised payment if the:

- Payment was genuinely intended to represent the pension payable to the person;
- Administering authority believed the recipient was entitled to the payment and;
- Administering authority believed the recipient was entitled to the amount of pension that was paid in error.

17.3 In addition to the above, there is a further exemption where the overpayment is a 'genuine error' and the aggregate overpayment (paid after 5th April 2006) is less than £250. In such circumstances, if the overpayment is not recovered it remains an unauthorised payment but it does not have to be reported to HM Revenue and Customs and HM Revenue and Customs will not seek to collect tax charges on it.

17.4 Examples of HM Revenue and Customs 'genuine errors' are in appendix 2 of this policy.

17.5 The Finance Act 2004 also sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in up to three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.

17.6 Payments made in the period between notifying the member of an overpayment and the point at which the correction to the right level of pension is made will be regarded under the above legislation as an unauthorised payment. If the total amount of pension paid at the incorrect rate from point of notification to date of reduction to the correct rate is greater than £250 (gross) it would be subject to tax charges 1) and 3) and possibly 2 as set out in section 17.5.

18. Prevention

18.1 The Fund has in place processes in order to minimise the risk of overpayments occurring.

18.2 The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Cambridgeshire Pension Fund actively participates in this initiative.

18.3 Cambridgeshire Pension Fund participates in overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity.

18.4 A report is run periodically on the pension administration system to identify individuals in receipt of a child's pension, further investigations are then carried out for children that are identified as over the age of 18 to ensure they are still entitled to receive a pension.

18.5 Cambridgeshire Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member. The Fund also investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of the Fund's money.

18.6 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short term dependant's pension to a long term pension.

Appendix 1 – Limitation Period Examples

Scenario	Limitation Period	Overpayment Period which can be claimed*
• Overpayments began in April 2008 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2010 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2008 and August 2010 • Formal claim** for recovery made in January 2015 (the Cut Off Date as referred to in *Webber v Department for Education*)	• No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed	• Overpayments back to when they began in April 2008 until August 2010 may be claimed
• Overpayments began in April 2003 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in November 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made from April 2003 to November 2009 • Formal claim for recovery made in December 2011 (the Cut Off Date as referred to in *Webber*)	• No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed	• Overpayments back to when they began in April 2003 until November 2009 may be claimed
• Overpayments began in January 1999 (the first Mistake Date) • Overpayments discovered or could have been discovered with reasonable due diligence in September 2016 (when the date was received from HM Treasury in relation to the GMP equalisation exercise) (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for the period from January 1999 to September 2016 • Formal claim for recovery made in February 2017 (the Cut Off Date as referred to in *Webber*)	• No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed	• Overpayments back to when they began in January 1999 until September 2016 may be claimed

Scenario	Limitation Period	Overpayment Period which can be claimed*
• Overpayments began in April 2006 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2006 and August 2009 • Formal claim for recovery made in January 2017 (the Cut Off Date as referred to in Webber)	• Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date • Claims are therefore out of time and should not proceed	• Overpayments cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date
• Overpayments began in April 2006 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2006 and August 2016 • Formal claim for recovery made in January 2017 (the Cut Off Date as referred to in *Webber*)	• Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date • Claims for overpayments between April 2006 and January 2011 are therefore out of time and should not proceed • However, as each monthly overpayment is a separate overpayment, the effect of the Webber case is that overpayments made in the 6 years prior to the Cut Off Date (i.e. the overpayments made in February 2011 to August 2016) can be recovered	• Overpayments for the period April 2006 to January 2011 cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date • Overpayments for the period February 2011 to August 2016 may be reclaimed.

* while this refers to the period which can be claimed, this is not the same as the period which will definitely be recovered in light of the other defences which are available to scheme members who face such claims for repayments of overpayment.
** reference to formal claim in this appendix means the commencement of formal proceedings to recover the overpayment.

Appendix 2 - Examples of HM Revenue and Customs 'genuine errors'

Genuine error - example 1

Apart from the case of pensions continuing under a 'term certain' guarantee, pensions are supposed to stop accruing on the death of the pensioner. If payments that accrued inappropriately after the death continue to be made, they will be unauthorised unless they fall within the limited conditions of regulation 15 of The Registered Pension Schemes (Authorised Payments) Regulations. The main feature of those conditions is that instalments can be paid within 6 months of the member's death providing the payer was reasonably unaware the pensioner had died.

Clearly then, once the 6 month time limit has passed, the tax rules will regard any future instalments as unauthorised member payments, and the fact the payer might remain unaware of the member's death does not change the essential character of any payment made. When the death comes to light the payer can see that the payments made more than 6 months after death were made in error.

Genuine error - example 2

The tax rules normally require that a pension being paid to a dependent who is child of a deceased member must stop when the recipient reaches age 23. If the recipient does not qualify for any of the exceptions that would allow for the continuation of their pension after that time, for example because of a disability, then the payer must make adequate arrangements to stop the pension in time. To this end they may give a clear and timely warning to the bank to stop payments from the necessary date but it can happen that the bank fails to act on those instructions and payments continue to be made in error.

In both of these examples, if the error was spotted and rectified (pension overpayments were repaid) as soon as reasonably possible, the inadvertent pension instalments (in the case of Example 1, only in respect of the instalments paid after the 6 month limit where the conditions otherwise apply) would not be unauthorised member payments.

However, there would be an unauthorised member payment if, despite the error being spotted, it is decided the repayment of the inadvertently overpaid pension instalments will not be pursued or the scheme does attempt recovery (in the case of Example 1, only in respect of the instalments paid after the 6 month limit where the conditions otherwise apply) but is unsuccessful and eventually decides to write off the overpayment (even though the decision might be taken on administration costs grounds or out of sensitivity). The exception to this will be if - as may often be the case - one of the categories of authorised payments introduced by the Registered Pension Schemes (Authorised Payments) Regulations 2009 can then be looked to in relation to payments made in genuine error but left in place.

The date of the unauthorised payment for the purpose of having to make a report of that payment would be the date that the decision is made not to seek recovery of the overpayment or the date the decision is taken to no longer seek recovery of the overpayment, as the case may be.
Where the overpayment is not pursued or, otherwise, not successfully pursued and the total of such overpaid pension instalments paid after 5 April 2006 (overpaid instalments paid before 6 April 2006 do not count for this purpose) to, or in respect of, a particular member does not exceed £250:

- for its own reasons of cost administration, under its Collection and Management powers, HM Revenue & Customs will not seek to collect the tax that, in strictness, is due in respect of the unauthorised payment (although the payment remains an unauthorised payment), and

- the scheme administrator does not have to report the unauthorised payment to HM Revenue & Customs, and

- the unauthorised payment does not have to be returned on the recipient's Self-Assessment tax return or, otherwise, be notified to HM Revenue & Customs.

If the aggregate overpayment exceeds £250, then all of the overpayment is chargeable as an unauthorised payment (i.e. one cannot deduct £250 as if it were an allowance, which it is not).

For this purpose, the £250 threshold applies to the aggregate of the overpayments actually received by, or in respect of, the member.

Where the conditions would otherwise apply in respect of pension instalments paid later than 6 months after the death of a pensioner except that the pension instalments have been paid later than 6 months after the pensioner's death, the £250 threshold applies in respect of the aggregate of the pension instalments paid after the expiry of the 6 month time limit only. The pension instalments paid up to the 6 month time limit would not be.

Overpayment of lump sums

The conditions described above apply equally where an overpayment of a lump sum occurs, such as a pension commencement lump sum or serious ill-health lump sum. So the limit of £250 will apply, but any lump sum in excess of that amount, where recovery cannot be made, will be an unauthorised payment to the extent that the amount is not an authorised payment.

For example, a pension commencement lump sum of £100,000 is due to be paid under the scheme rules, but £105,000 is paid in error. The scheme administrator is unable to affect a recovery of the excess. Under the tax rules, the pension commencement lump sum of £100,000 is the permitted maximum, so the whole excess of £5,000 is an unauthorised payment (i.e. one cannot deduct £250 as if it were an allowance, which it is not).

Note that a payment of a lump that is intended to be a pension commencement lump sum but ends up exceeding the permitted maximum may still be an authorised member payment if certain conditions are met.

Example

A pension commencement lump sum must be paid within an 18 month period starting 6 months before and ending 12 months after the member becomes entitled to the lump sum and linked pension. However, due to an error within the administration department of the pension scheme, the lump sum payment is not made by that deadline. If the lump sum is paid after the deadline it will not be a pension commencement lump sum and (unless it falls within the definition of one of the other authorised lump sums) will be an unauthorised member payment.

Cambridgeshire
Pension Fund

Overpayment of Pension Policy

2015

LGSS

Cambridgeshire
Pension Fund

Contents

LGSS

1. Introduction

1.1 This is the Overpayment of Pension Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority). The administration of the Fund is carried out by the LGSS Pensions Service which incorporates administration for both the Cambridgeshire Pension Fund and Northamptonshire Pension Fund.

Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.

Cambridgeshire Pension Fund recognises the need to take a pro-active approach to identifying potential fraudulent activity and overpayments.

2. Policy Objectives

2.1 The Policy objectives aim to ensure the Fund:

- Provides a high quality, friendly and informative administration service to the Funds' stakeholders;
- Administers the Fund in a cost effective and efficient manner utilising technology;
- Ensures it and it's Stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund;
- Puts in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary;
- Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
- Maintains accurate records and ensure data is protected and has authorised use only;
- Identifies errors as soon as possible;
- Rectifies overpayments with the cooperation of the individual;
- Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
- Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

3. Purpose of the policy

3.1 The policy is designed to provide assurance to the Fund's stakeholders that;

- all overpayments are treated in a fair and equitable manner;
- the Fund seeks to recover overpayments that have occurred;
- and has steps in place to prevent and also investigate potential fraudulent activity.

4. Effective date

4.1This policy was approved by the Pensions Committee on XX and effective from XX.

5. Review

5.1 This policy will be reviewed annually and updated as necessary. Updates will be approved by the Pensions Committee and published as a public document following approval.

6. Scope

6.1 The policy applies to:

- All members of the Cambridgeshire Pension Fund in receipt of a pension;
- Executors of the Estates of Cambridgeshire Pension Fund members
- Administrators of the scheme; and
- The Pension Fund Committee.

7. Managing overpayments of pension on the death of a scheme member

7.1 Understandably, notification of a death of a pensioner member of the scheme does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur.

7.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will seek recover overpayments that are greater than £250.00 in value. A value of £249.99 or less in the instance of the death of a scheme member has been deemed uneconomical to pursue. The sum written off is treated as a liability against the scheme member's former employer.

7.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.

8. Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement the Fund will seek to recover monies through the scheme member's ongoing pension, this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment; the member will be notified in writing.

9. Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably be aware of the overpayment

9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate as detailed in the table below;

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.
2	Re-employment where abatement affects rate of pension due	Re-employment not notified and within the terms of the Administering Authority policy on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment. Identified through NFI exercise or other means.
3	Entitlement to pension ceasing	Non notification that a child's pension is no longer payable as the child aged 18 or above is no longer in full time education or vocational training.
4	Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
5	Failure to action an alteration to the payroll record /reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long term rate.
6	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement a reduction to a pension as a result of National Insurance Modification (at State Pension Age for those members who both left the LGPS before 1 April 1998 **and** had membership before 1 April 1980).

9.2 If the Scheme member has been notified of the correct rate of pension in writing, it can be said that the member can reasonably be aware that they are being over paid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore seek to recover the total value of the overpayment, with this being recovered from the Scheme member's ongoing pension. The pension will also be reduced to the correct level for the next monthly pension payment. The member will be notified in writing of the error and the course of action to be taken.. Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged to recover the overpayment.

10. Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment

10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware;

	Type of overpayment	**How overpayment has occurred**
1	Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions).	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
2	Incorrect level of Guaranteed Minimum Pension (GMP) being paid	New information from HMRC leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will seek to recover the total value of the overpayment through the Scheme member's ongoing pension. The pension will be reduced to the correct level for the next monthly pension to avoid further overpayment and the member will be notified in writing a minimum of 2 weeks prior to this.

11. Recovery period

11.1 The Fund will seek to recover overpayments that have occurred within the last 6 tax years plus the current tax year or all of the overpayment period if shorter. Therefore overpayments that have occurred outside of this period will have the appropriate proportion written off.

12. Length of time to recover overpayment

12.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. Upon challenge the Fund can allow this to be extended by a further 50% of the time period in which the overpayment occurred.

13. Scheme member is unable to return overpayment

13.1 In cases where a Scheme member is unable to return the overpayment officers of the Fund will enter into negotiations with the scheme member, where appropriate the Fund will seek expert legal advice. This approach will reduce the number of Internal Disputes and referral to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Cambridgeshire Pension Fund would have demonstrated engagement and negotiation with the individual.

14. Scheme member refuses to engage in any correspondence with regards to overpayment

14.1 In cases where the Scheme member refuses to engage in any correspondence the Fund will suspend the pension after three written attempts of contact within three months. This should prompt the member to get in touch and allow for discussions to take place, where appropriate the Fund will seek expert legal advice.

15. Monitoring repayments

15.1 In cases where recovery is not being made through the payroll and an invoice has been raised, the responsibility for chasing the payment rests with the LGSS Debt Recovery Team. If a final reminder is issued, officers are notified and a decision is made by the Deputy Head of Pensions as to whether to take legal action, taking into consideration the amount and circumstances against the perusal of legal action.

16. Authority to write off overpayments

16.1 In line with the County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments –

Total value of overpayment*/**	Authority to write off overpayment
No more than £250.00 on death of a pensioner	Automatic write off
Up to no more than - £3,000.00 (includes overpayments on the death of a pensioner that are greater than £250.01 up to no more than £3,000.00)	Deputy Head of Pensions (in the absence of the Deputy Head of Pensions authority will move to the Chief Finance Officer)
£3,000.01 to no more than £10,000.00	Chief Finance Officer
£10,000.01 to no more than £25,000.00	Chief Finance Officer in consultation with the Chairman/woman of the Pension Fund Committee
£25,000.01+	Pension Fund Committee
*The value of overpayment occurring within the last 6 full tax years plus current tax year	
** Subject to a full evidence based report produced by Officers of the Fund	

17. Reporting to the HMRC and effects on the Fund and individual

17.1 The Finance Act 2004 sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.

17.2 Cambridgeshire Pension Fund recognises that for some overpayments engagement with Her Majesty's Revenue and Customs will be required and these will be treated on a case by case basis.

18. Prevention

18.1The Fund has in place processes in order to minimise the risk of overpayments occurring.

18.2 The Tell Us Once service has been adopted whereby deaths are notified through a central system accessible by the Fund. This increases the notification of the death of scheme members and therefore minimises potential overpayments.

18.3 The National Fraud Initiative is conducted by the Audit Commission every two years; it compares files of pensioners and deferred members with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Cambridgeshire Pension Fund actively participates in this initiative.

18.4 Cambridgeshire Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member.. The Fund also investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure that the welfare of the scheme member and to protect payment of the Fund's money.

18.5 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct timely manner. This would be in circumstances such as a change from a short term dependant's pension to a long term pension.

Appendix C – Changes between the 2015 and 2018 Overpayments of Pension Policy

Section of policy	**Section in previous policy**	**Section in revised policy**	**Change**
Policy objectives	2	2	Policy objectives refined in line with the Fund's current objectives
Scope	6	5	Scope of the policy has been widened to include beneficiaries and more detailed definition of "scheme member".
Managing overpayments on the death of a scheme member	7	6	Clarification that the value is £250.00 gross not net.
Managing overpayments of children's pensions failing to cease at the appropriate time	New section	7	The Fund will generally seek to recover overpayments that are greater than £100.00 (gross) in value.
Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member	8	8*	Insertion of overpayment values of greater than £100.00 gross to be recovered (previously it was the whole value). Addition of 8.3 (see c)
Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably aware of the overpayment.	9	9	Insertion of overpayment values of greater than £100.00 gross to be recovered (previously it was the whole value). Removal of 9.4. Insertion of 9.5 (see c)
Discretion to write off overpayments / Authority to write off overpayments	New section /16	11/16	Insertion of a) in 11.1. Section 16 of the previous policy has been updated and reflected in sections 11 and 16 of the revised policy. The Section 151 Officer has approved the write off authorisation levels as detailed in 16.1 which are in line with that of Cambridgeshire County Council.

Section of policy	Section in previous policy	Section in revised policy	Change
Recovery (how much of the overpayment can be recovered).	11	12	Insertion of a) in 12.1. Sections of the policy have been updated with reference to the Limitation Act 1980 which provides for overpayments to be recovered in full providing they have been discovered within the last 6 years but in line with section 32(1) of the Act, each overpayment must be considered on a case-by-case basis.
Length of time to recover overpayment	12	13	Addition of further scope to extend the recovery period beyond an additional 50% of the time period in which the overpayment occurred.
Scheme member refuses to engage in any correspondence with regards to the overpayment	14	N/A – removed	The intended approach is to reduce the pension to the correct rate and start recovery, as per b) without seeking authorisation from the scheme member or their representative.
Reporting to the HM Revenue and Customs and effects on the Fund and individual	17	17	Increased detail on how an unauthorised payment can occur and the potential effect on the member during the notification period before their pension is reduced to the correct rate.

CAMBRIDGESHIRE PENSION FUND

PENSION FUND BOARD

Date: 6 July 2018

Report by: HEAD OF PENSIONS

Subject	**Investment Strategy Statement**
Purpose of the Report	To present the revised Investment Strategy Statement to the Pension Fund Board
Recommendations	**That the Pension Fund Board:** 1. Note the contents of the report; 2. Makes recommendations where appropriate for the Pension Fund Committee to consider upon the next review.
Enquiries to	Name: Richard Perry, Pension Services Financial Manager Tel: 07717 360604 Email: RPerry@Northamptonshire.gov.uk

1. Purpose of the report

1.1 The purpose of this report is to present to the Pension Fund Board with the revised Investment Strategy Statement that was approved by the Pension Fund Committee on 29 March 2018.

2. Background

2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") came into force on 1 November 2016.

2.2. The Regulations set out the requirement for the preparation and publication of the Fund's Investment Strategy Statement (ISS) by no later than 1 April 2017.

2.3. The Committee approved the ISS at its meeting on 23 March 2017, however, it was recognised that the time available for consultation was limited due to the delay in the DCLG issuing guidance. Detailed aspects of the ISS have subsequently been reviewed at a series of Investment Information Days (IIDs).

2.4. The Fund has participated with fellow ACCESS funds in the joint procurement for passive investment to appoint a new manager in place of the Fund's current provider, State Street. The successful manager, UBS, offers a wide range of passive funds and the opportunity has been taken to re-assess which funds Cambridgeshire should adopt under the new arrangements.

2.5. The changes to the ISS result from the output of the Investment Information Days which Committee and Board members attended during 2017/18, and from changes to the regional equity exposures arising from the new passive arrangements with UBS.

3. Investment Information Days

3.1. A series of Investment Information Days have been held during 2017/18 covering all aspects of the Fund's policies detailed in the ISS with presentations from the Fund's Investment Consultants (Mercer), the Fund's Actuary (Hymans) and external fund managers.

3.2. The topics of the four days have been-

3.2.1. Investment objectives and beliefs,

3.2.2. Passive or active investing,

3.2.3. Sustainable Responsible investment,

3.2.4. Strategic asset allocation review.

3.3. The key outputs and conclusions from the IIDs impacting the ISS are covered in the following sections.

4. Changes to the Strategic Asset Allocation

4.1. The IID held in October 2017 focussed on the features of active and passive investing from two perspectives:

4.1.1. Confirming the investment beliefs No 9 and 10:-

9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns"

4.1.2. Considering how to allocate the Fund's passive investments under the new arrangements with UBS following the joint procurement under the LGPS National Frameworks with fellow ACCESS funds.

4.2. The outcome of the day was to confirm that the investment beliefs remain valid and to inform recommendations on passive investment allocation to be formally considered at the November Investment Sub-Committee (ISC) meeting for approval.

4.3. At the November meeting, the ISC agreed a new allocation of the Fund's passive equities allocation (23.0%) to a range of equity funds offered by UBS under the new passive arrangements.

4.4. The revised allocation includes a division of the passive allocation one-third in smart beta funds and two-thirds in traditional market capitalisation passive funds, the latter with an equal regional split between North America, Europe and Asia. This has resulted in a reduction of the specific UK allocation from 21.0% to 12.0% of the total fund assets, and an increase in the allocation to global funds from 44.0% to 53.0%, primarily because of the new allocation to smart beta funds which are global in nature. A detailed analysis of the new equity allocation is shown in Appendix A.

4.5. The changes to strategic asset allocation table in the ISS are as follows:

Asset class	**Target allocation %** **PREVIOUS**	**Target allocation %** **REVISED**	**Tolerances%** **UNCHANGED**
UK equities	21.0%	***12.0%***	
Overseas equities	44.0%	***53.0%***	
Equities	65.0%	65.0%	60.0% - 70.0%
Government Bonds	5.0%	5.0%	
Non-Government Bonds	7.0%	7.0%	
Fixed Income	12.0%	12.0%	9% -15%
Property	10.0%	10.0%	
Private Equity	5.0%	5.0%	
Infrastructure	5.0%	5.0%	
Loans	3.0%	3.0%	
Alternatives	23.0%	23.0%	18.0% - 28.0%
Total target Allocation	100.0%	100.0%	

5. Socially Responsible Investment

5.1. The IID held in November 2017 focussed on Sustainable Responsible Investment with the objectives of:-

5.1.1. Confirming the investment belief No 11:-

11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer-term investment returns.

5.1.2. Confirming that the detailed statements in the ISS headed:

5.1.2.1. ESG Risks,

5.1.2.2. Environmental, Social and Governance policy

5.1.2.3. Voting rights

5.2. The attendees on the day agreed that the ISS remained appropriate subject to the following additions:

5.2.1. Recognising climate change as specific risk;

5.2.2. Acknowledging that Fund Managers have the resources, research and ability to evaluate stock suitability in regard Responsible Investment. Feedback supported the principle of engagement in preference to disinvestment and that Fund Managers should retain decision making on stocks. However, Fund Managers will be required to improve their Responsible Investment reporting to the ISC. It is proposed that a specific report is received in the July Pension Fund Committee meeting in respect of Fund Managers' Responsible Investment activity.

5.2.3. Whilst the Fund informally adopts the principles of the Stewardship Code, it has not formally signed up to the Code. There was a clear consensus of opinion that the Fund should sign up.

5.2.4. Clarifying how the Fund will interact with the ACCESS pool to implement its engagement and voting policies by inserting the following paragraphs:

Sustainable Responsible Investment Policy (Environmental, Social and Governance)
The Fund is committed to working with the ACCESS Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's SRI policies.

Voting
The Fund is committed to working with the Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's voting policy.

6. Other drafting changes

6.1. The Objectives of the Fund and Investment Beliefs have been linked with a reference to the Funding Strategy Statement.

6.2. Other minor changes have been made to the ISS to update it to the February 2018 position regarding Asset Pooling:-

6.2.1. In the following sentence, "2018" has replaced "2017":-

"The first investments to be pooled in <u>2018</u> will be passively managed investments."

6.3. A new graph has been provided to illustrate the linkage of the asset allocation to the key investment risk factors.

6.4. The following sentence updated to reflect the investment in The Cambridge Building Society:-

"Cambridgeshire will not be pooling an allocation to local alternatives currently comprising <u>interests in</u> the Cambridge & Counties Bank <u>and The Cambridge Building Society</u>".

6.5. Consistent use of the terminology Sustainable Responsible Investment that encompasses Environmental, Social and Governance issues.

6.6. A copy of the revised ISS is attached as Appendix B.

7. Future revisions to the Investment Strategy Statement

7.1. The IID that took place on 7 February 2018 provided background for the forthcoming review of the Fund's strategic asset allocation. This effectively covers the remaining investment beliefs in the ISS not covered in the earlier IIDs.

7.2. The review of the strategic asset allocation by the ISC will continue during 2018 and when finalised will be presented to the Committee for approval and the ISS will then be updated accordingly.

8. Relevant Pension Fund Objectives

Objective 1 Have robust governance arrangements in place, to facilitate informed decision-making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Objective 3 Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Objective 5 Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Objective 18 Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

9. Finance & Resources Implications

9.1. There are no incremental costs associated the recommendations.

10. Risk Implications

10.1. Risk(s) associated with the proposal:

Risk	**Mitigation**	**Residual Risk**
The Fund does not have appropriate policies that comply with the Investment Regulations.	The Fund's Investment Consultant has provided advice.	Amber

10.2. Risk(s) associated with not undertaking the proposal:

Risk	**Risk Rating**
The Fund may not maintain its published Investment Strategy Statement in line with the Regulations.	Amber

11. Communication Implications

11.1. Policy documents will be updated as appropriate and published on the Fund's website.

12. Legal Implications

12.1. Legal advice will be sought as required.

13. Consultation with Key Advisers

13.1. This paper has been produced in conjunction with the Fund's Investment Consultants, Mercer.

14. Alternative Options Considered

14.1. Included in the paper.

15. Background Papers

15.1. ISC papers on Investment Information Days – September 2017, November 2017 and February 2018. ISC paper on Passive investments – November 2017.

16. Appendices

16.1. Appendix A – Revised Strategic Asset Allocation.

16.2. Appendix B – Revised Investment Strategy Statement.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable.
Will further decisions be required? If so, please outline the timetable here	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 June 2018

Revised equity allocation following transfer to UBS:

Smart beta		
Global	RAFI Developed 1000	2.556%
Global	MSCi World Quality	2.556%
Global	Min Vol	2.556%
Market cap		
Global	FTSE North America	5.111%
UK	FTSE UK	2.044%
Global	FTSE Europe less UK	3.067%
Global	FTSE Asia excl Japan	3.067%
Global	FTSE Japan	2.044%
Total "passive" holdings/allocation		23.000%
Equity active allocation		
UK	Schroders UK	10.000%
Global	JO Hambro Global Select	19.500%
Global	Dodge & Cox Global Equity	12.500%
Total equity active allocation		42.000%
Total equity allocation		65.000%
Total		
UK		12.044%
Total Global		52.955%
		65.000%

Investment Strategy Statement (Published 5 April 2018)

Introduction and background

This is the Investment Strategy Statement ("ISS") of the Cambridgeshire County Council Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Pension Fund Committee ("the Committee") having consulted on the contents of the Fund's investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Pension Committee on 29 March 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement which can be found at http://pensions.northamptonshire.gov.uk/wp-content/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf .

Objectives of the Fund

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

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

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

The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- Invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth.

Investment Beliefs

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

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
    a. Asset classes that return over a reasonably long duration are suitable for this Fund.
    b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
    a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
    a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above governments bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

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Selecting a suitable strategy

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in this statement:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined

The desire for diversification across asset class, region, sector, and type of security

The Committee utilises a wide range of professional support such as an investment consultant and the Fund's Actuary.

As noted above, the Fund's objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2017/18 financial year with particular emphasis around the ACCESS pool's passive investment mandate. The investment strategy review will continue into the 2018/19 financial year with adopted changes being reported as appropriate. Set out below therefore is the current position that will likely evolve as part of the forthcoming review.

Asset class	Target allocation %	Tolerances%
UK equities	12.0%	
Global equities	53.0%	
Equities	65.0%	60.0% - 70.0%
Government Bonds	5.0%	
Non-Government Bonds	7.0%	
Fixed Income	12.0%	9%-15%
Property	10.0%	
Private Equity	5.0%	
Infrastructure	5.0%	
Loans	3.0%	
Alternatives	23.0%	18.0% - 28.0%
Total target Allocation	100.0%	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

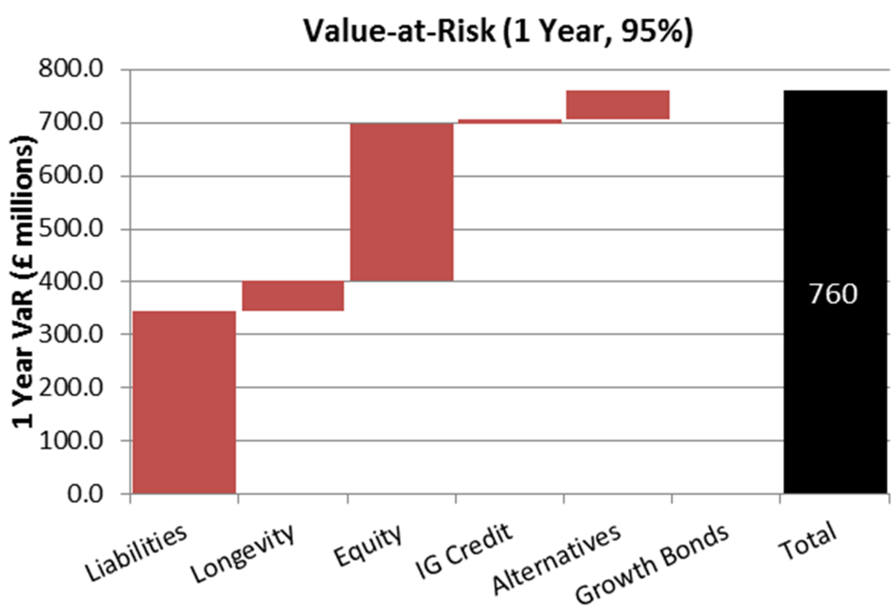
At 31 March 2016, the expected return of this portfolio was 4% per annum equivalent to the discount rate calculated upon the return on long-dated gilts of 2.2% p.a. plus an asset out performance assumption of 1.8% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Risks

The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.

Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£376m
Active Manager underperformance	3% underperformance from all active managers	£61m

As shown in both the Value-at-Risk attribution chart and the table above, the most significant risk that the Fund is running is in relation to interest rates and inflation. It is important to stress that whilst not immaterial, the risks being run by the use of active management is far smaller.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long-term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and private equity are also a valuable source of income.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economic of fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence takes place before managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk is that net performance underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential for accessing higher returns. The majority of the Fund's assets are realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate short term fluctuations in currency movements but this policy will be reviewed at the next investment strategy review; particularly with reference to the Fund's equity portfolio.

Demographic Risk

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

Cashflow Management Risks

The Fund is gradually becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy.

Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement.

Sustainable Responsible Investment Risks

The Fund recognises that effective management of Environmental, Social and Governance ("ESG") issues, captured under the phrase "Sustainable Responsible Investment" ("SRI"), can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Committee believes that engagement is key in relation to strong corporate governance, which in turn will enhance returns. Details of the Fund's policies can be found later in this statement.

Investment of money in a wide variety of investments

The Fund will invest in a range of investments, diversified by type, class, geographical location and market exposure.

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including:

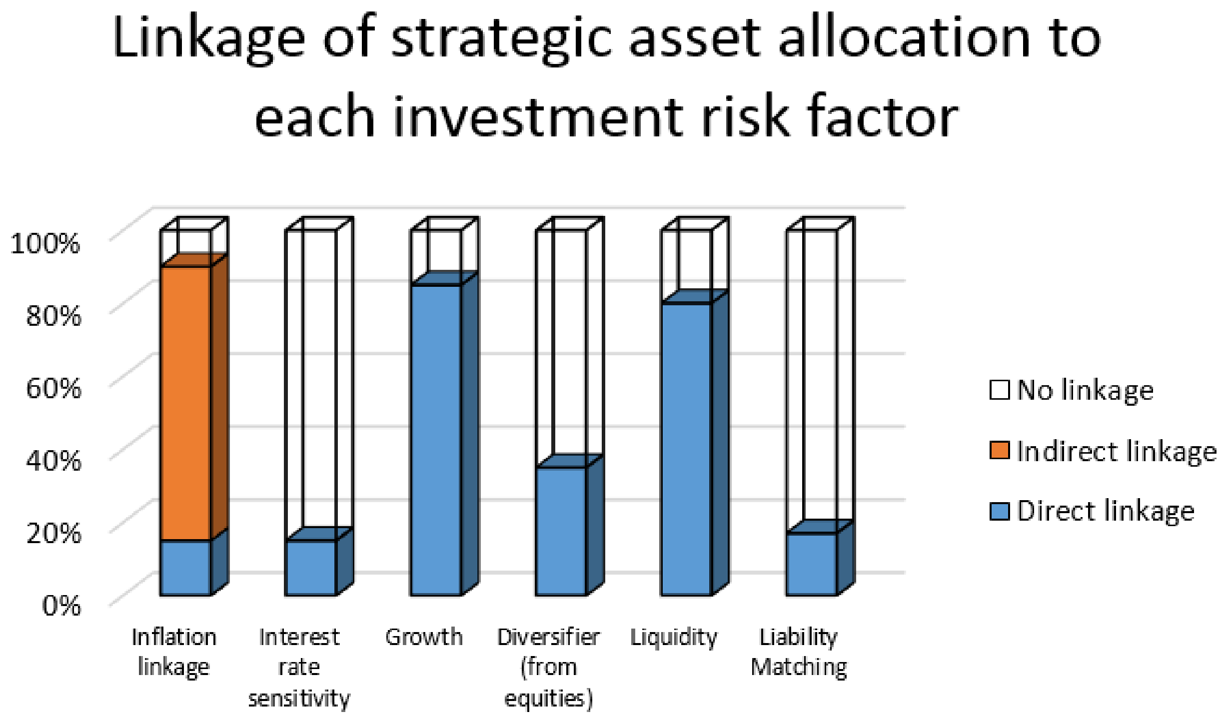
- Equities,
- Fixed interest and index linked bonds,
- Cash,
- Property and commodities, either directly or through pooled funds,
- Private Equity,
- Infrastructure,
- Debt,

- Insurance Instruments,
- Contracts for differences and other derivatives either directly or in pooled funds.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Factor	**Allocation**	**Inflation linkage**	**Interest rate sensitivity**	**Growth**	**Diversifier (from equities)**	**Liquidity**	**Liability Matching**
Role	**%**	**Liability management**	**Liability management**	**Deficit reduction & affordability**	**Risk mitigation**	**Cash flow management**	**Liability management**
UK equities	12.0	Indirect link to inflation over the long-term	N	Y	N	Y	N
Global Equities	53.0	Indirect link to inflation over the long-term	N	Y	N	Y	N
Index Linked Gov't bonds	5.0	Y	Y	N	Y	Y	Y
Non-Gov't Bonds	7.0	N	Y	N	Y	Y	Y
Property	10.0	Indirect link to inflation over the long-term	N	Y	Y	N	N
Private Equity	5.0	Y	N	Y	Y	N	N
Infrastructure	5.0	Y	N	Y	Y	N	Y
Loans	3.0	N	Y	N	Y	Y	N
TOTAL	100.0						
Illiquidity Budget							
Inflation Sensitivity							

The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing Investment Strategy Review will review the adequacy of the strategy against these factor risks.



Asset Pooling

Cambridgeshire is a member of the ACCESS pool along with the following 10 other pension funds:

East Sussex
Essex
Hampshire
Hertfordshire
Isle of Wight
Kent
Norfolk
Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership (will be updated for IAA). ACCESS is working to a project plan in order to create the appropriate means to pool investments. The first investments to be pooled in 2018 will be passively managed investments.

The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website http://www.accesspool.org/

All 11 ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from a minority of investments where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Investment pooling is intended to provide the scale that will enable LGPS funds to access lower investment Manager fees and to deliver cost savings, mindful of the Fund's Value for Money objective which is defined as recognising net return over absolute cost. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting a suitable number of Investment Managers in order to meet the requirements of all of the funds' investment strategies.

Cambridgeshire will not be pooling an allocation to local alternatives currently comprising interests in the Cambridge & Counties Bank and The Cambridge Building Society. In addition the Fund is exploring local economic development opportunities.

In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Sustainable Responsible Investment Policy (Environmental, Social and Governance)

The Committee considers the financial impact arising from Environmental, Social and Governance ("ESG") risks to be a fiduciary responsibility and an integral part of the risk assessment of any investment, captured under the phrase "Sustainable Responsible Investment" ("SRI"). The Committee recognises that effective management of SRI issues can enhance long-term financial performance of investments and seeks to promote this through two key areas:

- **SRI factors** – considering the financial impact of environmental, social and governance (ESG) factors on the long-term prospects of investments, with awareness of the growing concerns around climate change.
- **Stewardship and governance** – Good governance can enhance the long-term performance of companies, and this is encouraged by the Fund through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee has directed investment managers to consider the effects of SRI issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognises the benefits of working in collaboration with other investors to achieve its aims. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is an initiative that enables the Fund to work with other investors to understand the impacts of SRI considerations on financial performance.

The Fund is committed to working with the ACCESS Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's SRI policies.

The Fund does not exclude investments in order to pursue boycotts, divestment or sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Voting rights

The Fund believes that good stewardship can enhance long-term portfolio performance, and is in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. The Fund supports the principles of the UK Stewardship Code (the "Code") and is working with the Fund's advisers with the intention to sign up to the Code.

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. Accordingly, the Fund's investment managers have produced written guidelines of their process and practice in this regard, which is considered as part of the appointment of an investment manager process.

The Fund is committed to working with the Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's voting policy.

For and on behalf of Cambridgeshire County Council Pension Fund Committee

CAMBRIDGESHIRE PENSION FUND BOARD AGENDA PLAN	Updated on 20 June 2018	Cambridgeshire County Council

Agenda Item No: 12

Notes

Draft reports are due with the Democratic Services Officer by 10.00 a.m. eight clear working days before the meeting.
The agenda dispatch date is six clear working days before the meeting.

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
19/10/18	Minutes 06/07/18 and Action Log	R Sanderson	**08/10/18**	**10/10/18**
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Data Improvement Plan	J Walton		
	(Draft?) Annual Report and Statement of Accounts	M Whitby		
	Training Strategy (pre-scrutiny review)	M Oakensen		
	Valuation Update	C Blose		
	Cash Management Strategy	M Whitby		
	Pension Committee Minutes 26/07/18	J Walton		
	Asset Pooling update [standing item]	M Whitby		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Forward agenda plan [standing item]	R Sanderson		
15/02/19	Minutes 26/10/18 and Action Log	R Sanderson	**04/02/19**	**06/02/19**
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Valuation Update	C Blose		
	Admitted Bodies, Scheme Employers and Bulk Transfer Policy	C Blose		
	Risk Register (post scrutiny)	M Oakensen		
	Risk Strategy (post scrutiny)	M Oakensen		
	Pension Committee Minutes 25/10/18 and 06/12/18	J Walton		
	Asset Pooling update [standing item]	M Whitby		
	Forward agenda plan [standing item]	R Sanderson		
03/05/19	Minutes 15/02/19 and Action Log	R Sanderson	**18/04/19***	**24/04/19**
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Pension Committee Minutes 28/03/19	J Walton		
	Asset Pooling update [standing item]	M Whitby		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Cambridgeshire Pension Fund Business Plan and Medium Term Strategy	J Walton		
	Forward agenda plan [standing item]	R Sanderson		

*unusually early because of Good Friday and Easter Monday (19 & 22 April)