CAMBRIDGESHIRE PENSION FUND

◆LGSS

Pension Fund Committee

Date: 13 December 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 third meeting of the 2018/19 financial year to the Pension Fund Committee.
Recommendations	1) The Committee are asked to note the Pension Fund Business Plan Update for the third 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 Committee on a regular basis. This update highlights the progress made on the key activities during the third quarter of the 2018/19 Business Plan which was approved by the Pension Fund Committee on in March 2018.

1.2   A full list of the key fund activities for the 2018/19 financial year can be found in appendix 1 of this report.

2.   Key Pension Fund Activities

2.1   Service Delivery

		2018/19			
Reference	**Key action/task**	**Q1**	**Q2**	**Q3**	**Q4**
SD1	Review staff retention			✓G	
SD2	Obtain full Customer Service Excellence standard accreditation		✓G		
SD3	Implement additional posts			✓A	

2.1.1 SD1 – Review staff 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.

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Update – No retention issues have yet materialised. All areas of the Pensions Service are at full establishment (subject to SD3 comments below) with the exception of Operations; vacancies are being actively recruited to in this area which is adequately resourced to fulfil business as usual activities but requires a few more staff to eat into outstanding unprocessed leavers. Expanded recruitment options are being explored.

On target for completion? Whilst staff retention is not a current issue it will be kept under constant review.

2.1.2 SD2 – Evidence continued customer excellence

Action - Achieve interim Customer Service Excellence (CSE) Standard accreditation and develop and implement Action Plan from feedback received. Undertake full CSE assessment and develop further Action Plan.

Update - The Customer Service Excellence project team has drawn up an action plan in line with the feedback received from the interim assessment in August.

On target for completion? The relevant service areas are working towards implementing the recommendations by June 2019 and are on course to do so.

2.1.3 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 – The post of Data Quality Officer has now been appointed to from an existing member of the service on a partial acting up basis for an initial period of 6 months. A decision will be taken at the end of April 2019 as to whether a full appointment will be made. The two additional Pensions Officer posts created to deal with the data improvement work have been appointed to. The post of Communications Officer has been graded and will be advertised in early January 2019 with a view for the post to be filled by 31 March 2019.

On target for completion? All additional posts on course to be fully recruited to by 31 March 2019.

2.2 Governance and compliance

| Reference | Key action/task | 2018/19 | | | | Medium term | |
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC1	Legal services procurement					✓G	
GC2	Mortality screening / member tracing services procurement				✓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 GC1 – Legal services procurement

Action - The Fund needs to procure its own supplier of Legal Services that has a specialism in pensions and investment law. As such the National LGPS Framework for Legal Services will be used to conduct the procurement. This will save time and expense as the necessary OJEU procurement processes have been completed and only the best quality and value for money suppliers are awarded a place on the Framework. It is proposed that the procurement is undertaken jointly with Northamptonshire Pension Fund to benefit from economies of scale as has been achieved with other joint procurements.

Update – As agreed at the October 2018 Pension Fund Committee meeting, the procurement of Legal Services has been postponed until January 2019 to allow for the new framework to be launched. Information on the framework will be obtained as soon as it becomes available.

On target for completion? Further information will be known as to the options within the framework by March 2019 meeting of the Pension Fund Committee. This information will dictate which approach to procuring a supplier is most appropriate and in turn will determine the timescale for award of contract.

2.2.2 GC2 - Mortality screening and member tracing service procurement

Action - The Fund needs to procure a mortality screening and member tracing service to ensure scheme member records are accurate and up to date to comply with prevailing legislation on data quality. Having the ability to access up to date information on members of the scheme who pass away and move address via these services will significantly improve the quality of the data held. As with the procurement of legal services, it is intended that the procurement of these services will be conducted on a joint basis with Northamptonshire Pension Fund via the National LGPS Frameworks.

Update – Both Funds have registered their interest in the new National Framework for Member Data Services which launched during mid-October and have received the necessary documentation. Officers are in the process of reviewing the supplier catalogues in order to decide on whether to direct award or conduct a mini-competition to procure the services from the choice of four suppliers and this will also determine the timescale for appointment.

On target for completion? A decision will be made by Officers on the preferred procurement method by 31 December 2018. Approval for the expenditure on member tracing and screening services will be included in the Annual Business Plan for 2019/20 which is to be presented at the March 2019 Pension Fund Committee. Once the expenditure and the chosen method of procurement is agreed the necessary action will be taken to award to the preferred supplier by 31 May 2019.

2.2.3 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 – The Data Improvement Policy and the Data Improvement Plan were approved at the October meeting of the Pension Fund Committee. A report on the progress made against the Data Improvement Plan is to be presented at each Pension Fund Committee meeting commencing 14 December 2018.

On target for completion? Fully completed.

2.2.4 GC8 - Guaranteed Minimum Pension (GMP) 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 – The reconciliation stage of this project is running to schedule with all queries having been presented to HMRC prior to their deadline of 31 October 2018. Following the approval of the Data Improvement Policy and Plan at the October meeting of the Pension Fund Committee a full progress update on the completion of the reconciliation stage of this project is now detailed in the Data Improvement Plan update report to be presented at this meeting. The rectification stage of this project will also be reported within the Data Improvement Plan update report once this is started.

On target for completion? Reconciliation is on target for completion by 31 December 2018. In January 2019 a formal strategy will be devised to respond to the rectification requirements based the number of cases involved which at the time of writing this report is unknown.

2.2.5 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 –Following the approval of the Data Improvement Policy and Plan at the October meeting of the Pension Fund Committee a full progress update on the completion of the rectification stage of this project is now detailed in the Data Improvement Plan update report to be presented at this meeting.

On target for completion? On target to complete by 31 March 2019.

2.3 Communications, Systems and Employer Management

| Reference | Key action/task | 2018/19 | | | | Medium term | |
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM1	Employer covenant monitoring		✓G				
CSEM2	Investigate and prepare for move to electronic communications as standard			✓G			

CSEM3	Promotion of member self service		✓**G**			
CSEM5	Review resilience to cyber crime		✓**G**			
CSEM6	*In-house hosting by LGSS IT*					
CSEM7	Development of employer resources		✓**G**		✓	
CSEM10	Preparation for the 2019 valuation			✓**G**		

2.3.1 CSEM1 – Employer covenant monitoring

Action - At the 2016 whole Fund valuation, a risk based approach to setting the contribution strategy for employers was introduced. This approach used a high level covenant assessment of employers to group them into various categories to determine the contribution strategy that would apply to them. Employer covenant monitoring has so far been based on information readily available to the Fund, e.g. employer type, guarantor.

This approach now needs to be developed further for riskier employers and incorporate wider external factors into the covenant assessment including an employer's financial position, market position and other related factors. This kind of assessment requires specialised skills and knowledge. The Admission Bodies, Scheme Employers and Bulk Transfers Policy will be reviewed to incorporate covenant assessment.

Update - Hymans Robertson have been engaged to provide employer covenant monitoring services and a list of key requirements/objectives has been provided to them.

On target for completion? A proposed outline plan and costs are currently being developed with the aim of implementing this process as part of preparations for the valuation of the Pension Fund, including a discussion with employers considered in scope at the March 2019 Employers Forum.

2.3.2 CSEM2 - Scope move to electronic communications

Action - Since 2015/16 the Fund has been increasing the use of electronic communications with members, such as issuing annual benefit statements to active and deferred members electronically. In addition, the Fund has also begun offering members the option to receive other scheme communications electronically, delivered through member self-service. The next stage is to move to a position of electronic communication by default, unless a member has opted out of electronic communications.

Technical and policy requirements/restrictions need to be investigated to allow decisions to be made as to which electronic communications are possible and/or desired. Following this scoping exercise our Communication Strategy will be reviewed with the view to including electronic communications.

Update - Work on the scoping exercise has been completed. It has been identified from both a policy and technology perspective that a move to electronic communications is possible. The self-service facility, email and the "Notify" service described in previous updates will be the preferred communication methods for active and deferred members.

This is likely to include electronic provision of pensioner payslips via a dedicated data view on the self-service facility.

On target for completion? Processes to enable electronic communications for active and deferred members to be put in place by the end of 2019/20 and to be rolled out to pensioners in 2019/20.

2.3.3 CSEM3 – Promotion of member self service

Action - Take up of member self-service has remained consistent over the last 3 years at approximately 20% of active and deferred members signing up and using this facility. New initiatives to increase use of member self service will be investigated and applied as appropriate.

Update - Following the promotional activities described in previous updates, take up of the self-service facility has now grown to approximately 25% of active and deferred membership using the facility. The focus is now on rolling the facility out to pensioner members. Access is now being granted to retiring members with an active or deferred account to provide continuity of service.

On target for completion? The roll out of access to existing pensioners will commence as part of the next pensioner communication cycle in early 2019.

2.3.4 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 – A report is being prepared about the Fund's cyber-resilience. This includes procedures and arrangements in place with partners such as Aquila Heywood, LGSS IT and Hymans Robertson, where there is technological dependencies or where the Fund's data is held electronically.

A training session will also be provided to officers before the end of the scheme year which will include a number of simple steps that can be taken to minimise the risk and impact of cybercrime.

On target for completion? A report detailing the Fund's cyber-resilience will be presented to the Pension Fund Committee at the March 2019 meeting.

2.3.5 CSEM6 - In-house hosting by LGSS IT

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

Update – This is no longer being progressed as a business priority for LGSS IT and is therefore not expected to be progressed over the term of this Business Plan. The Fund remains extremely satisfied with its existing supplier of hosting services, Aquila Heywood.

On target for completion? Not applicable.

2.3.6 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 - 26% of the Northamptonshire Pension Fund employers are currently using i-Connect with two major payroll providers due to come on board shortly which will significantly boost the numbers. The Managing Director of i-Connect presented to scheme employers at the November 2018 Employer Forum and also at this event the importance of data was reinforced by a representative of the Pensions Regulator.

On target for completion? Roll out of i-Connect to all remaining scheme employers is on track to be completed by 31 December 2019

2.3.7 CSEM10 – Preparation for the 2019 valuation

Action - The Fund will work with the actuary to make preparations for the 2019 whole Fund valuation. This will include agreement of requirements and timescales for:

- engagement and training for officers and members of the Pension Committee and Local Pension Board
- communication and engagement with employers
- pre-valuation activities
- key activities and deliverables during the valuation
- actuarial assumptions
- disaggregation of employer pools

Update - Preparation for the 2019 valuation has begun including some initial training and some pre-valuation activities.

Training was provided to Officers of the Fund and members of the Pension Fund Committee and Local Pension Board in October to set out the valuation process and the outline of the key activities involved. A timeline has also been agreed with the Fund's Actuary and high level discussions about priorities have already taken place. Data has been provided to the Actuary to allow an assessment of employer pools to inform discussion about the potential disaggregation of these pools. A communication has been sent informing employers of the active member data reconciliation exercise which will be carried out in December and January. The communication included instructions for employers on how to reconcile and amend any incorrect data prior to the valuation. A training session focussing on the process and key errors employers need to focus on was provided as part of the recent Employer Forum. Data extracts will be provided to all employers in December with a deadline of 31 January 2019 to complete the exercise.

On target for completion? All activities are on schedule for completion by 31 March 2019 which is the effective date for cut of data to be used in the valuation calculations.

2.4   Operations

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
Ops1	Processing of undecided leavers		✓**G**		
Ops2	Establish ESCROW account for 'out of scheme' payments	✓**A**	→		

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 – Following the approval of the Data Improvement Policy and Plan at the October meeting of the Pension Fund Committee a full progress update on the completion of this project is now detailed in the Data Improvement Plan update report to be presented at this meeting.

On target for completion? All activities scheduled for completion to date have been completed.

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 ESCROW account has been set up and payments into and out of the new account have been tested.

On target for completion? The final stage is to be undertaken in mid-December to ensure the payments can be reconciled suitably. Once this is in place training will be given to users of the ESCROW account.

2.5   Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA3	Responsible investment		✓**G**				
IA4	Asset pooling					✓**G**	
IA5	Strategic Asset Allocation review			✓**G**			

2.5.1 IA3 – Local 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 - Following the exploration of the providers on Lot 2 and in consultation with fellow funds in the LGPS community on their experiences with similar local investment initiatives it was determined that a more streamlined approach could be used to procure a fund manager to meet the Fund's needs. Two fund managers have presented proposals to the Investment Sub Committee (ISC) for Local Economic Development Funds. One manager offered a suitable solution but the ISC have requested that for comparison purposes officers invite additional providers to a subsequent ISC meeting.

On target for completion? Officers are currently liaising with additional providers to identify suitable firms to present to the ISC in the February 2019.

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 – Officers and Mercer are jointly developing an action plan to enable the Fund to become a signatory of the UK Stewardship Code. This will include other related matters discussed at the Responsible Investment Information Day, which is due to be held on 13 February 2019.

On target for completion? Action plan to be presented at the March 2019 meeting of the Pension Fund Committee.

2.5.3 IA5 – Asset pooling

Action - Progression of ACCESS asset pooling project in accordance with the ACCESS project plan to deliver scale benefits, reduced costs and improved governance, meeting the Government asset pooling agenda.

Update – Progress on ACCESS pooling is being reported in a separate agenda item at this meeting.

On target for completion? Refer to ACCESS pooling report to be presented at this meeting.

2.5.4 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 – The Investment Sub Committee has investigated a number of aspects of the strategic asset allocation at meetings in February, June, September and November 2018, including consideration of proposals for hedging or diversifying the portfolio. An additional workshop with the Fund's Investment Consultant, Mercer was held on 28 November to ensure that the proposals are aligned with the key risks that concern the ISC.

On target for completion? At the November workshop it was agreed to investigate utilising circa £300m of fixed income assets as collateral to enable equity protection to be put in place. A paper will be prepared by end of December in order that it can be circulated and discussed at a workshop, to be arranged, in January 2019, enabling an ISC decision at the February 2019 meeting.

3. Relevant Fund objectives

3.1 Continually monitor and measure clearly articulated objectives through business planning.

4. Risk Management

4.1 The Pension Fund Committee approves the Annual Business Plan and Medium Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Local Pension Board at every meeting.

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

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	The scheme would not be administered in line with regulations and policies	Green
Governance (risk 2)	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Amber

4.3 A full version of the Fund risk register can be found at the following link – http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/

5. Communication Implications

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

6. Legal Implications

6.1 Not applicable

7. Consultation with Key Advisers

7.1 Consultation with the Fund's 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 – http://pensions.northamptonshire.gov.uk/app/uploads/2018/10/Annual-Business-Plan-and-Medium-Term-Strategy-2018_19-CPF.pdf

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 Section 151 Officer?	Sarah Heywood – 29 November 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 November 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 28 November 2018
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 26 November 2018

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

Service Delivery

| Reference | Key action/task | 2018/19 | | | | Medium term | |
		Q1	Q2	Q3	Q4	2019/20	2020/21
SD1	Review staff retention		✓				
SD2	Obtain full Customer Service Excellence standard accreditation		✓			✓	
SD3	Implement additional posts		✓				

Governance and Compliance

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

Communications, Systems and Employer Management

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

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Reference	Key action/task	Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM8	Investigation of HEAT		✓				
CSEM9	Implementation of ill health self-insurance/pooling	✓					
CSEM10	Preparation for the 2019 valuation				✓		

Operations

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
Ops1	Processing of undecided leavers			✓			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓					

Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA1	Investment consultancy services re-tender					✓	✓
IA2	Global custody services re-tender					✓	
IA3	Local direct investment		✓				
IA4	Responsible investment		✓				
IA5	Asset pooling				✓		
IA6	Strategic Asset Allocation review			✓			