

Annual Business Plan and Medium Term Strategy

2018/19 to 2020/21

Cambridgeshire Pension Fund

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Introduction

This is the business plan for the Cambridgeshire Pension Fund which is managed and administered by LGSS Pensions on behalf of Cambridgeshire County Council. The business plan details our priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2018/19, 2019/20 and 2020/21. The business plan was approved at the Cambridgeshire Pension Fund Committee meeting on XX March 2018. The business plan is monitored throughout the year and the Pension Fund Committee may be asked to agree changes to it.

The purpose of the business plan is to:

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

In addition, the business plan includes a budget for expected payments to and from the Cambridgeshire Pension Fund during 2018/19 including the resources required to manage the Fund.

Further information

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

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Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £2.988bn Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Cambridgeshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership is approximately 77,300 of which 26,700 are active members from 182 contributing employers and approximately 50,600 retired, survivor, deferred and other members.

Governance and management of the Fund

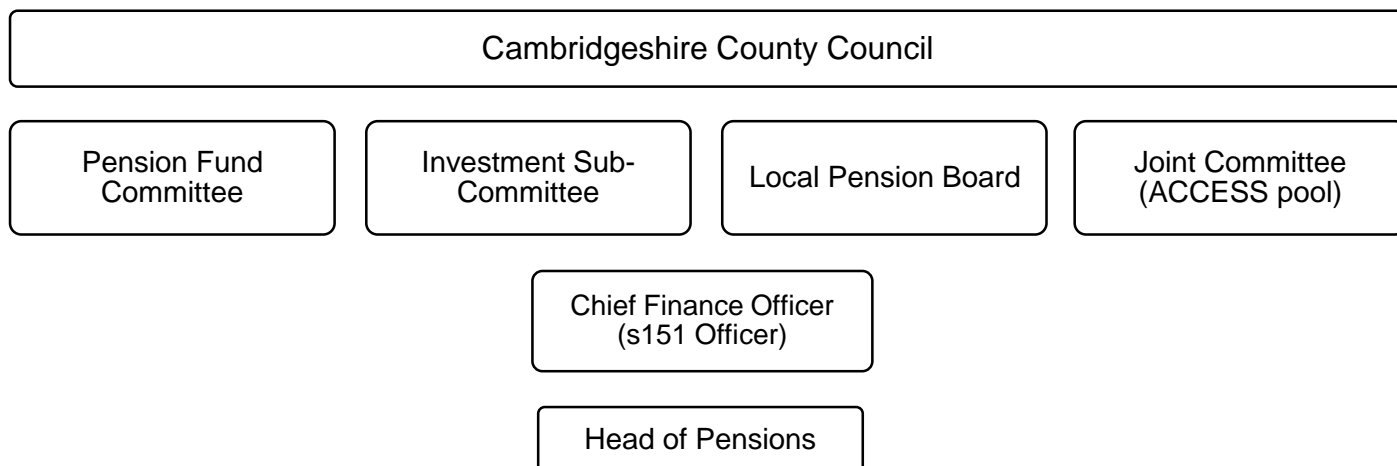
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

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

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

The governance structure is detailed below:



Administration of the Fund

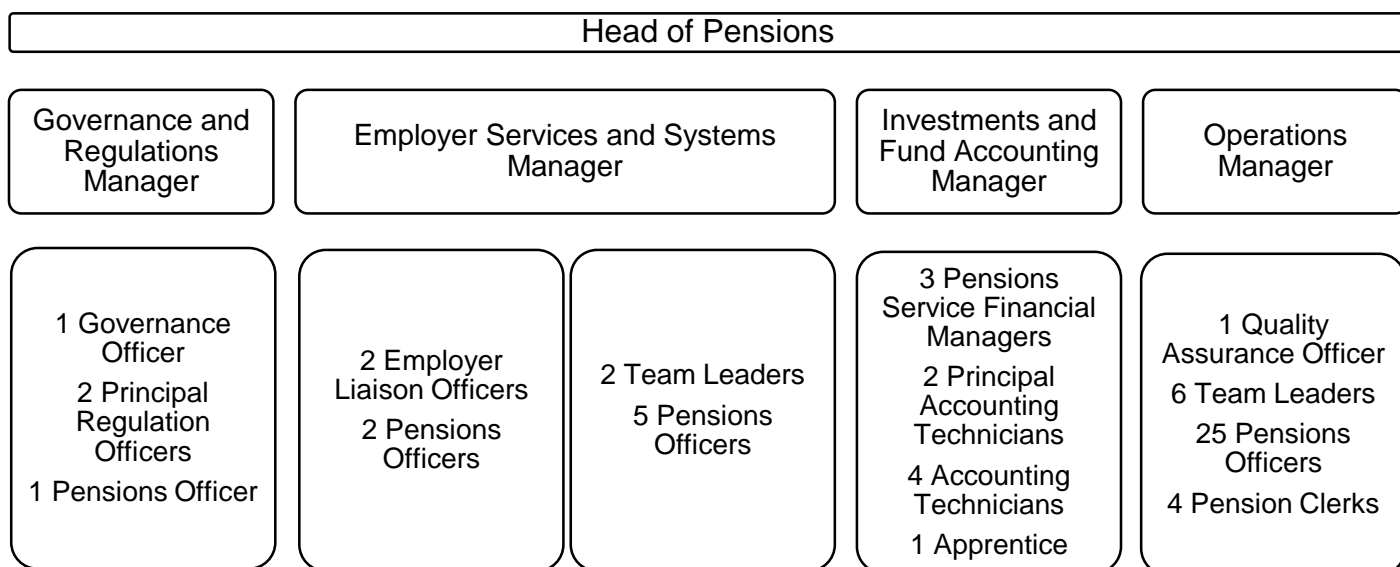
In 2012, the administration of the Cambridgeshire Pension Fund was converged with that of the Northamptonshire Pension Fund following the creation of LGSS, a shared service joint committee arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Funds, however remain as two distinct entities. In 2016, Milton Keynes Council joined as a third partner but is not an LGPS administering authority.

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

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

- The Operations Team is responsible for providing the full range of pension administration services. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems Team is responsible for maintaining the pension administration, payroll, employer and member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employers Team provide support to employers being admitted to and leaving the scheme, managing the triennial actuarial valuation process and liaison with scheme employers with regards to the responsibilities required of them. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.
- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to each Pension Fund Committee and Local Pension Board. In addition the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance with prevailing LGPS specific and overriding legislation. The team specialises in data quality, data protection and pension taxation.
- The Investments and Fund Accounting Team is responsible for providing the financial control function to the Fund. It manages and accounts for the receipt of contributions from employers, processes the Fund's financial transactions and oversees the production and audit of the Annual Report and Statement of Accounts. The Investment Team is responsible for liaison with the ACCESS asset pool and governance over the Fund's investments whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required.

The structure of the LGSS Pensions, which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2018 is illustrated below:



Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- 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.
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- Maintain accurate records and ensure data is protected and used for authorised purposes only.
- Promote the scheme as a valuable benefit.
- Deliver consistent plain English communications to stakeholders.
- Provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- 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.
- Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

- Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- Maximise investment returns over the long term within agreed risk tolerances.
- Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

Business as usual

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

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

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

Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice.
- Ensuring adherence to the administering authority’s and legal requirements for procurement and data protection.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

Accountancy

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

Funding

- Agreeing the funding strategy with the Scheme Actuary every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Scheme Actuary, providing membership and cash flow data and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.

Investments

- Carrying out a fundamental review of the investment strategy every three years.
- Appointing, monitoring and dismissing fund managers including within the pooling environment.
- Monitoring and reporting on the Fund's funding position and implementation of the funding risk management strategy with annual health checks.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS funds within ACCESS to pool investments through the Joint Committee and the Officer Working Group.

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining scheme member records.
- Providing an online scheme member and scheme employer self-service facility.
- Administering the internal dispute resolution procedure.

Payroll

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

Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing information to members via one to one sessions, workshops and newsletters.
- Maintaining the Fund's website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.

Technical

- Maintaining and updating the pensions administration system.
- Providing guidance on changes in processes following new or amending legislation.
- Reporting on progress against key performance indicators and daily work management.

- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

The plan for the next three years

Key challenges and influences

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

- Creation and implementation of the Local Pension Board.
- Increased oversight by the Pensions Regulator including compliance with the code of practice on governance and administration.
- Implementation of the new Local Government Pension Scheme from 1 April 2014 and each year introducing innovative ways of working.
- The national requirement to reconcile contracting out data held by the scheme with that held by HMRC following changes to the state pension.
- Increasing number of scheme members affected by the new tax regime and reducing allowances on pension savings.
- Implementing the Government's requirements of the pooling of LGPS pension fund assets with the other Funds in the ACCESS pool.
- Seeking improved investment returns by making strategic allocations to non-traditional asset classes.
- Responding to the requirements of MIFIDII including maintaining the skills and knowledge required of professional investors.
- Increasing diversity of scheme employers including academies and multi-academy trusts.

The Fund is in a strong position to meet the challenges ahead. The following are the main areas which we will need to be managed and responded to, some of which may necessitate a review of the Fund's objectives.

- Implementing any changes required as a result of the national LGPS cost control mechanism.
- Achieving the objectives of the Fund's strategy on administration and communications and employer engagement.
- Increasing scrutiny and transparency on data quality.
- Increased accountability on protecting and processing data.
- Evidencing savings and improved investment governance arising from asset pooling.

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

- Governance and compliance.
- Communications, systems and employer management.
- Operations.
- Investments, accounting and cash flow management.

Budget

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

Cash flow projection 2018/19 to 2020/21

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

| | 2017/18 Estimate | 2017/18 Forecast | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Contributions | (128,000) | (128,000) | (129,000) | (132,000) | (135,000) |
| Transfers in from other pension funds | (5,400) | (2,100) | (4,907) | (4,907) | (4,907) |
| TOTAL INCOME | (133,400) | (130,100) | (133,907) | (136,907) | (139,907) |
| Benefits payable | 100,000 | 100,000 | 101,000 | 103,000 | 105,000 |
| Payments to and on account of leavers | 5,400 | 7,200 | 7,246 | 7,246 | 7,246 |
| TOTAL PAYMENTS | 105,400 | 107,200 | 108,246 | 110,246 | 112,246 |
| | (28,000) | (22,900) | (25,661) | (26,661) | (27,661) |
| Management expenses | 8,156 | 8,114 | 8,492 | 8,593 | 8,788 |
| TOTAL INCOME LESS EXPENDITURE | (19,844) | (14,786) | (17,169) | (18,068) | (18,873) |
| Investment income less Taxes on income. | (29,000) | (29,000) | (30,000) | (31,000) | (32,000) |
| (profit) and losses on disposal of investments and changes in the market value of investments | (75,000) | (75,000) | (77,000) | (79,000) | (81,000) |
| NET RETURN ON INVESTMENTS | (104,000) | (104,000) | (107,000) | (110,000) | (113,000) |
| Net (increase)/decrease in net assets available for benefits during the year | (123,844) | (118,786) | (124,169) | (128,068) | (131,873) |

*Notes: Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.
Transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2015/16 to 2017/18.*

Management expenses

| | 2017/18 Estimate | 2017/18 Forecast | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Total administration expenses | 2,494 | 2,452 | 2,656 | 2,591 | 2,615 |
| Total governance expenses | 432 | 432 | 449 | 453 | 458 |
| Total investment expenses | 5,230 | 5,230 | 5,387 | 5,549 | 5,715 |
| TOTAL MANAGEMENT EXPENSES | 8,156 | 8,114 | 8,492 | 8,593 | 8,788 |

*Notes: Investment expenses are mainly driven by fees paid to managers and are based upon the current year uplifted by 3% per annum.
Governance and investment expenses are expected to remain at levels similar to the current year, increasing in line with inflation. Within the governance expenses for 2018/19 is*

£100,000 in respect of ACCESS related costs (2017/18 £100,000). At the point of drafting this business plan the fees and cost savings associated with the ACCESS project for 2018-19 onwards remain indicative in nature, as the Operator contract was only made effective in March 2018.

Administration expenses

| | 2017/18 Estimate | 2017/18 Forecast | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Staff related | 1,321 | 1,305 | 1,434 | 1,448 | 1,462 |
| Altair administration and payroll system | 261 | 280 | 287 | 290 | 292 |
| GMP/Payroll Reconciliation | 150 | 95 | 60 | - | - |
| CRM and new website | - | - | 25 | - | - |
| Communications | 54 | 28 | 23 | 21 | 19 |
| Other non pay and income | 100 | 135 | 212 | 211 | 215 |
| County Council overhead recovery | 608 | 609 | 615 | 621 | 627 |
| TOTAL ADMINISTRATION EXPENSES | 2,494 | 2,452 | 2,656 | 2,591 | 2,615 |

Notes: The GMP and Payroll reconciliation costs are intended to be a one-off expenditure in order to meet the requirements of HMRC as a result of the introduction of the new state pension and cessation of contracting-out in defined benefit schemes. External expertise is required to complete this project in the most effective manner. This project will continue into 2018/19 and the unused budget from 2017/18 has been carried forward to meet this.

Staff related expenses

| | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--|---------------------|---------------------|---------------------|
| | £000 | £000 | £000 |
| 2017/18 posts plus inflationary uplift | 1,380 | 1,393 | 1,406 |
| New posts established from 2018/19 | 83 | 84 | 85 |
| Vacancy factor | (29) | (29) | (29) |
| TOTAL ESTIMATED STAFF COSTS | 1,434 | 1,448 | 1,462 |

Notes: In 2017/18 staff related expenses are forecast to be lower than estimated due to the underspend on the staff budget not being fully utilised in sourcing agency staff. The future estimates include the Cambridgeshire Pension Fund share of four additional posts established in response to increased activity, and an inflationary uplift of 1%.

Delivering the business plan

Monitoring and reporting

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

The quarterly updates will:

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

Key risks

The Cambridgeshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Fund Committee has approved a Risk Strategy and a detailed Risk Register is maintained. Changes to the level of risk are reported to the Pension Fund Committee.

To follow is a summary of the main risks managed by the Fund and the level of risk expected when compared with the current position. Where the risk is both higher than expected and controllable the Fund's business plan will include an action on how to mitigate that risk.

The next few years will be challenging for those involved in the governance, management and operation of the Fund. The major risks as documented below are detailed in the Risk Register:

Governance

| | | |
|---------------------------|--|-----------------------------------|
| Main risks: | Those charged with governance of the Fund and are unable to fulfil their responsibilities effectively. | Current risk rating: Amber |
| What could increase risk? | An inappropriate governance structure, poor training, attendance and engagement, insufficient resources, conflicts of interest, absence of governance policies, absence of risk management, poor advice or impact of externally led changes outside of the Fund's control. | |
| Target risk | Managing governance risks are largely within the Fund's control hence risks are low. There will, however, always be some external factors outside of the Fund's direct control. | |
| Current risk | The current governance structure of the Fund is working well, however there are some new risks that will need attention during 2018/19: <ul style="list-style-type: none">• Relationship between the Joint Committee and the Fund• Succession planning for officers of the Fund in key areas of service delivery. | |

Funding and investment

| | | |
|---------------------------|--|---------------------------------|
| Main risks: | Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates. | Current risk rating: Red |
| What could increase risk? | A sustained fall in global markets, low interest rates, high inflation, inappropriate investment and funding strategy, failure of fund managers to meet investment | |

| | |
|--------------|--|
| | targets, on-going austerity reducing employer budgets and the impact of externally led changes outside of the Fund's control. |
| Target risk | There will always be economic, funding and investment risks that cannot be controlled by the Fund. The aim is to mitigate these risks as much as possible through a diversified investment portfolio and prudent funding strategy. |
| Current risk | A strategic asset allocation review will continue throughout 2018-19 to identify appropriate strategic asset allocations in light of the Fund's Funding Strategy and the current and future economic environment. The Funding Strategy will be revisited as part of the triennial valuation process in 2019-20 with close monitoring of scheme employers over the inter-valuation period, using a risk based approach. |

Administration and communication

| | | |
|---------------------------|--|-----------------------------------|
| Main risks: | Failure to include all required information in documents issued to members under Disclosure regulations. | Current risk rating: Amber |
| What could increase risk? | A lack of a trained workforce, poor IT and reporting systems, poor communications, inefficient or inadequate procedures and increasingly complex pension and taxation laws and regulations. | |
| Target risk | The majority of these risks can be managed by the Fund, hence the risks are well managed and low. There will, however, always be some external factors such as the complexity and number of regulatory changes which are less controllable. | |
| Current risk | <p>The Fund has reviewed both the Administration and Communication Strategy which have ambitious targets. The Fund, like others in the LGPS universe, has some difficulty recruiting suitably knowledgeable and skilled staff which ultimately may start to impact on performance targets. Further external pressures and complexities which would increase risks, workloads and costs may prove problematic. The new risks are:</p> <ul style="list-style-type: none"> • Delays in HMRC responding to queries on the contracting-out reconciliation before the service closes on 31 December 2018. • Proposed changes to legislation regarding exit payments that will increase the complexity of administration processes. • Additional communication burden of the national pension dashboard. | |

Appendix 1 – Business Plan 2018/19 to 2020/21

Service delivery

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

SD1 - Staff recruitment/retention

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. Continue to multi-skill staff within administration teams through development and rotation. Implement other actions arising from LGSS Employee survey within internal Service Plan.

Timescale: All actions Throughout 2018/19

Resources and budget required: To be led by the Head of Pensions. All internal costs will be met by the existing administration budget.

SD2 – Evidence continued customer excellence

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.

| | | |
|------------|--|------------|
| Timescale: | CSE interim assessment | Q2 2018-19 |
| | Develop and implement Action Plan from CSE recommendations | Q3 2018-19 |
| | CSE full assessment | Q2 2019-20 |
| | Develop and implement Action Plan from CSE recommendations | Q3 2019-20 |

Resources and budget required: To be led by the Operations Manager. All internal costs will be met by the existing administration budget.

SD3 – Implement additional posts to structure

Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds. The Fund share of these posts is reflected in the Staff Expenses section of the budget above.

- 1) Data Quality Analyst – to have responsibility for ensuring the data quality of the Fund and to oversee large scale data projects, including reconciliations/rectification exercises
- 2) Pensions Officer – to undertake payroll and contracting out rectification casework that would otherwise require outsourcing
- 3) Communications Officer – dedicated post to be responsible for all Fund communications
- 4) Senior Accounting Technician – to backfill Investments activity due to ACCESS project and due to increasing local investment demands

Timescale: ASAP 2018/19

Resources and budget required: Full annual costs of each post, including on costs, are as follows:

Data Quality Analyst: £41,726

Pensions Officer: £30,956

Communications Officer: £41,726

Senior Accounting Technician: £36,499

Costs would be expected to be split between the Funds on the basis of membership size (broadly CPF 55%/NPF 45%) unless activity is being disproportionately delivered to a single Fund.

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 | | ✓ | | | ✓ | |

GC1 – Legal services procurement

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.

| | | |
|------------|---------------------------------------|---------------|
| Timescale: | Register for access to the Framework: | Q2 2018/19 |
| | Conduct tender: | Q2/Q3 2018/19 |
| | Contract to commence: | Q3/Q4 2018/19 |

Resources and budget required: To be led by the Governance Manager, assisted by colleagues that will be using the service. All internal costs will be met by the existing administration budget.

GC2 - Mortality screening and member tracing service procurement

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.

| | | |
|------------|---------------------------------------|---------------|
| Timescale: | Register for access to the Framework: | Q2 2018/19 |
| | Conduct tender: | Q2/Q3 2018/19 |
| | Contract to commence: | Q3/Q4 2018/19 |

Resources and budget required: To be led by the Governance Manager, assisted by colleagues that will be using the service. All internal costs will be met by the existing administration budget.

GC3 - Soft market testing for administration and payroll system procurement

The Fund currently uses Aquila Heywood's Altair as its pensions administration and pensions payroll platform. The contract is due to expire on 30 September 2021 and as such it is deemed prudent to commence soft market testing in 2020/21 with a view to procuring a new contract on a joint basis with Northamptonshire Pension Fund. There is currently no framework for acquiring these services so a fully compliant OJEU process will need to be undertaken.

| | | |
|------------|-----------------------|----------------|
| Timescale: | Soft market testing: | Q1 2020/21 |
| | Conduct tender: | Q3 2020/21 |
| | Contract to commence: | 1 October 2021 |

Resources and budget required: To be led by the Governance and Systems Manager. All internal costs will be met by the existing administration budget.

GC4 - Review Additional Voluntary Contribution (AVC) fund ranges

The Fund has a responsibility to ensure that the range of investment choices offered by their AVC providers remain suitably diverse and appropriate in terms of annual charges and risk profiles. As such the Fund will appoint an external adviser to review and report on the fund ranges offered by the Fund's AVC providers Prudential and Equitable Life and appropriate changes will be implemented accordingly.

| | | |
|------------|--|---------------|
| Timescale: | Appoint adviser to conduct review | Q4 2018/19 |
| | Report results of review to Pension Fund Committee | Q1 2019/20 |
| | Instruct changes to be made: | Q1/Q2 2019/20 |

Resources and budget required: To be led by the Governance Manager. All internal costs will be met by the existing administration budget. External adviser costs will be met by the administration budget.

GC5 – The General Data Protection Regulation (GDPR) compliance

The administering authority must demonstrate compliance with the GDPR by 25 May 2018 when the regulation becomes enforceable after a two year transition period. The principles of the GDPR are similar to those in the Data Protection Act 1998 but with a new accountability requirement that requires organisations to demonstrate compliance with appropriate documentation.

Significant work to achieve compliance with the GDPR was undertaken during 2017/18 and will continue into Q1 of 2018/19 taking into account any further guidance issued.

| | | |
|------------|-------------------------------------|------------|
| Timescale: | Complete and publish documentation: | Q1 2018/19 |
|------------|-------------------------------------|------------|

Resources and budget required: To be led by the Governance Manager, assisted by the administering authority's Information Governance Team. All internal costs will be met by the existing administration budget. The cost of legal advice will be met by the administration budget.

GC6 - Data improvement plan

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. In order to produce this plan the Fund has entered into a strategic partnership with ITM Limited to produce an in-depth data audit report that will fully test and report on the accuracy, presence and integrity of the data that is held. The results of the data

audit report will inform the ongoing data improvement plan. Under the current contract, the data audit will be conducted for a further two years to demonstrate that data quality has improved and is being effectively managed.

| | | |
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| Timescale: | Produce data improvement plan: | Q1 2018/19 |
| | Implement data improvements: | Q1/Q2 2018/19 |
| | Re-run data audit: | Q1 2019/20 |

Resources and budget required: To be led by the Governance Manager, assisted by the Operations and Systems Teams. All internal costs will be met by the existing administration budget. The cost of the data audit will also be met by the administration budget.

GC7 - Liability reduction exercises

The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership of the scheme to qualify for a pension entitlement) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment which would extinguish any future liability from the Fund.

It has become increasingly common for pension schemes to look at ways of reducing these numbers particularly when the annual cost of the pensions administration and payroll system is calculated on the number of records held. As such the Fund should look at communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

| | | |
|------------|-----------------|------------|
| Timescale: | Scope exercise: | Q1 2019/20 |
|------------|-----------------|------------|

Resources and budget required: To be led by the Governance Manager, assisted by the Operations and Systems Teams. All internal costs will be met by the existing administration budget.

GC8 - Guaranteed Minimum Pension reconciliation / rectification

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. Failure to record the correct data for individual scheme members could result in schemes having to pay benefits in respect of members for which they do not have a liability.

Due to the number of member records in scope a decision was made to out-source the reconciliation of the data to ITM Limited. The reconciliation stage was due to complete by 31 January 2018 but due to delays in HMRC responding to the queries raised a project pause was put in place for a period of three months. It is now expected that the reconciliation stage of this project will come to a conclusion during 2018/19 with no additional fees and within the £150,000 budget as agreed in the 2017/18 Annual Business Plan. The rectification of any under of overpayments of pension identified as a result of the reconciliation will commence thereafter.

| | | |
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| Timescale: | Completion of reconciliation stage: | Q2 2018/19 |
| | Commence rectification stage: | Q2 2018/19 |
| | Completion of rectification stage: | 2019/20 |

Resources and budget required: To be led by the Governance Manager. All internal costs will be met by the existing administration budget. The cost of outsourcing the reconciliation stage to ITM is already included in the administration budget. The additional Pensions Officer will be used to support the rectification stage.

GC9 - Pensioner administration v pensioner payroll records rectification

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. As a result of this significant migration of data a reconciliation was undertaken of the pre-merged pensioner payroll data against the pensioner administration record data. Rectification of the underpayments of pension commenced in February 2018 and the rectification of the overpayments will commence upon approval of the revised Overpayments of Pension and Lump Sum policy to be presented to the Pension Fund Committee at the March 2018 meeting.

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| Timescale: | Completion of rectification stage: | 2019/20 |
|------------|------------------------------------|---------|

Resources and budget required: To be led by the Governance Manager. All internal costs will be met by the existing administration budget. The additional Pensions Officer will be used to support the rectification stage.

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 | | ✓ | | | ✓ | |
| CSEM8 | Implementation of HEAT | ✓ | | | | | |
| CSEM9 | Implementation of ill health self-insurance/pooling | ✓ | | | | | |
| CSEM10 | Preparation for the 2019 valuation | | | ✓ | | | |

CSEM1 – Employer covenant monitoring

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 assessments.

Timescale: Investigate options Q2 2018/19
Implement appropriate solution and amend Admission policy: Q3 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget. External costs dependent on solution.

CSEM2 - Scope move to electronic communications

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.

Timescale: Investigation of technical and policy requirements/restrictions Q2/Q3 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.

CSEM3 – Promotion of member self service

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.

Timescale: Investigation of and application of appropriate initiatives: Q2/Q3 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.

CSEM4 – Monitoring/understanding the member experience

During the 4th quarter of 2017/18, the Fund launched a new member survey, 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.

Timescale: Action plan for improvements to member experience: Q2 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget .

CSEM5 - Review resilience to cyber crime

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. The Fund needs to understand the different cyber threats that exist to the Fund, members and employers and investigate what action the County Council and Aquila Heywood are taking in relation to cybercrime and what action the Fund must also take to prevent such incidents.

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| Timescale: | Commence initial investigations to inform action plan: | Q1 2018/19 |
| | Produce action plan: | Q3 2018/19 |

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.

CSEM6 - In-house hosting by LGSS IT

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

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|------------|---------------------------------|---------------|
| Timescale: | Subject to LGSS IT Project Plan | By Q4 2018/19 |
|------------|---------------------------------|---------------|

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.
All migration costs to be funded by LGSS

CSEM7 – Development of employer resources

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.

| | | |
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| Timescale: | Investigation and implementation of solutions | Throughout 2018/19 |
|------------|---|--------------------|

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget

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

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. HEAT also provides the ability to set a range of flexible investments strategies to meet the funding needs of different employer types.

There are a number of benefits from implementing HEAT but it is not yet fully understood what resources would be required to implement and manage this process on a monthly basis. The Fund will meet with Hymans Robertson to discuss the costs, implementation requirements and process for managing the provision of the needed data on a monthly basis and report back to the Committee with a recommendation.

Timescale: Report to the Committee with a recommendation Q1 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget. Cost subject to separate commercial agreement.

CSEM9 – Implementation of ill health self-insurance/pooling

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.

Timescale: Design and communicate new processes to employers: Q1 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.

CSEM10 – Preparation for the 2019 valuation

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

Timescale:

Completion of preparations for 2019 valuation:

Q4 2018/19

Resources and budget required: To be led by the Employer Services and Systems Manager. All internal costs will be met by the existing administration budget.

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 | ✓ | ✓ | | | | |

Ops1 – Processing of undecided leavers

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.

The number of potential undecided leaver records that the Fund has, excluding business as usual cases recently received, is 7,950; we have received employer leaver notifications for approximately 4,600. Of this latter number, approximately 2,000 have actions that currently rest with the member (refunds) or scheme employer. Not all potential cases will ultimately prove to be actual leavers but all require investigation. As soon as the Fund receives a leaver notification from a scheme employer, a formal award notification is issued to the member.

A number of actions have already been taken to address the late notification of leavers by scheme employers, which causes a spike in work flow volumes which cannot always be supported. Actions include:

- Increased monthly processing via I-Connect and increased use of employer self-service.
- Delivery of employer training to raise awareness of scheme employer responsibilities
- A strengthened Administration Strategy with increased ability to charge poor performing scheme employers
- Increased focus on aggregating periods of membership within the scope of the Regulations.

The next steps are an in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category. This may include employer engagement, process re-engineering and resourcing the processing of casework.

Timescale:

Analysis and development of solutions:
Implementation of action plans

Q1/Q2 2018/19
2018/19 to 2019/20

Resources and budget required: To be led by the Head of Pensions. All internal costs will be met by the existing administration budget. Any external costs will be subject to the agreement of the Pension Fund Committee.

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

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. Such benefits are refund entitlements in respect of post 2014 membership that are not claimed by the member within five years of date of leaving, retirement benefits not claimed before age 75 and death grants that cannot be paid within the two years from the notification of the death of the scheme member. When these benefits are able to be paid to the recipient they will be paid from the ESCROW account and so the payment will not be considered as unauthorised by HMRC.

| | | |
|------------|---|------------|
| Timescale: | Open ESCROW account: | Q1 2018/19 |
| | Begin movement of appropriate benefits into | Q2 2018/19 |
| | ESCROW account and review monthly thereafter: | Q2 2018/19 |

Resources and budget required: To be led by the Operations Manager. All internal costs will be met by the existing administration budget.

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 | Direct investment (Cambridgeshire Pension Fund only) | | ✓ | | | | |
| IA4 | Responsible investment | | ✓ | | | | |
| IA5 | Asset pooling | | | | | | |
| IA6 | Strategic Asset Allocation review | | ✓ | | | | |

IA1 – Investment consultancy services re-tender

Mercer Ltd are the current supplier, with the contract being extended in late 2017 to 30 September 2020. Intention is to undertake a joint procurement in 2020/21 using the renewed National Framework for Investment Consultancy Services.

Timescale: Soft market testing 2019/20
 Conduct tender: 2020/21
 Contract to commence: 1 October 2020

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget.

IA2 – Global custody services re-tender

The Northern Trust Company are the current supplier of global custody services. Contract commenced on 1 October 2014 for a period of 5 years ending 30 September 2019 with the ability to extend for two further years to 30 September 2021. Intention is to undertake a joint procurement in 2019/20 using the National Framework once it has been renewed.

Timescale: Decide whether to take up extension 2019/20
 Conduct tender (if extension not taken up) 2019/20
 Conduct tender (if extension taken up) outside Medium Term Strategy (2021/22)

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget.

IA3 – Local Direct investment

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.

| | | |
|------------|---------------------------------------|---------------|
| Timescale: | Call off Lot 2 of National Framework | Q1 2018/19 |
| | Development of specification | Q2 2018/19 |
| | Procurement of manager | Q3 2018/19 |
| | Design and implementation of solution | Q3/Q4 2018/19 |

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget. Budget for the investment consultancy component could be circa £100k. Remuneration/fees for the fund manager will be determined by the procurement exercise

IA4 – Responsible investment

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. Alignment of activity with ACCESS pool funds where appropriate.

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|------------|--------------------|
| Timescale: | Throughout 2018/19 |
|------------|--------------------|

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget.

IA5 – Asset pooling

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.

| | | |
|-----------------|-------------------------------------|-----------------|
| Key Milestones: | Transition of Phase 1 liquid assets | By Q4 2018/19 |
| | Transition of Phase 2 liquid assets | 2019/20 |
| | Transition of illiquid assets | 2020/21 onwards |
| | ACCESS Support Unit (ASU) in place | Q3 2018/19 |
| | Direct property discussions | 2018/19 |

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget. ACCESS external costs in line with ACCESS budget

IA6 – Strategic Asset Allocation review

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.

| | | |
|------------|--|--------------------|
| Timescale: | Review by ISC | Throughout 2018/19 |
| | Recommendation to Pension Fund Committee | March 2019 |
| | Implementation of agreed Strategy | 2019-20 onwards |

Resources and budget required: To be led by the Investments and Fund Accounting Manager. All internal costs will be met by the existing administration budget.