CAMBRIDGESHIRE PENSION FUND BOARD

Cambridgeshire County Council

Friday, 05 November 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

VIRTUAL MEETING

This meeting will held via Zoom For more information please contact the clerk for the meeting (details provided below).

AGENDA

Open to Public and Press

11 Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 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)

12 CONFIDENTIAL ACCESS Asset Update

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

13 Cyber Resilience Update, Data Asset Mapping

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

The Cambridgeshire Pension Fund Board comprises the following members:

For more information about this meeting, including access arrangements please contact

Councillor Denis Payne (Chair) Mr Barry O'Sullivan (Vice-Chair) Mr Martin Dachs Val Limb Councillor Simon King and Councillor Philippa Slatter

Clerk Name:	Rhiannon Leighton
Clerk Telephone:	01223 728170
Clerk Email:	rhiannon.leighton@cambridgeshire.gov.uk

Agenda Item No: 2B

Cambridgeshire Local Pension Board Minutes Action Log

This is the updated action log as at 25 October 2021 and captures the actions arising from the most recent Cambridgeshire Local Pension Board meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes 2nd July 2021

Minute number	Report Title	Action for	Action	Comment	Status
4	Cambridgeshire Pension Fund Committee Minutes – 25 March 2021	Mark Whitby	Members requested a copy of the annual monitoring results when available	The Investment Monitoring Report forms part of the private agenda pack that the Board has been sent copies of via Democratic Services.	Completed.
6	Risk Monitoring Report	Martin Dachs	Martin Dachs to provide risk register aid.	Email sent 2 July 2021	Completed.
7	Local Pension Fund Board Agenda Plan	Michelle Oakensen	Label whether agenda items were pre- or post-scrutiny on the agenda plan.	Agenda plan updated.	Completed.
9	Draft Cyber Strategy	Mark Whitby	Members requested a definition of ‘host authority’ and a reference to whistleblowing be included in the document.	Strategy updated.	Completed.

Minutes of 23 April 2021

Minute number	Report Title	Action for	Action	Comment	Status
192	Administration Performance	Jo Walton	Agreed to change the presentation so that the objectives and controls/risks were more aligned. The task was set a tentative six-month completion aim.	Will be aligned at the same time as reviewing the Risk Register format.	Future activity
195	Pension Fund Annual Business Plan and Medium-Term Strategy 2021/22 to 2023/24	Mark Whitby	Consider adding responsible investments onto the objectives list.	To be discussed with investment advisors and then incorporated into next objectives review.	Future activity
195	Pension Fund Annual Business Plan and Medium-Term Strategy 2021/22 to 2023/24	Mark Whitby	Send the Pension Fund Board a copy of the Pension Fund Committee feedback report when it was made available.	The survey results were delivered on 4 August 2021 as part of a virtual discussion.	Completed.

Cambridgeshire Pension Fund Board Agenda Plan

Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
05/11/21	Minutes 02/07/2021 and Action Log	R Leighton	21/10/21	29/10/21
	Administration Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	ACCESS Update [information]	R Perry		
	Data & Asset Mapping Review [pre scrutiny]	M Whitby		
	Training Strategy [pre scrutiny]	J Walton		
	Admission Bodies, Scheme Employers and Bulk Transfer Policy [post scrutiny]	C Blose		
	Pension Committee Minutes	R Leighton		
28/01/22	Minutes 05/11/2021 and Action Log	R Leighton	13/01/22	21/01/22
	Administration Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Cambridgeshire Pension Fund Engagement [review]	C Blose		

Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
	Business Continuity Plan [review]	M Whitby		
	Anti-Fraud and Corruption Policy [pre scrutiny]	J Walton		
	Responsible Investment Policy [post scrutiny]	M Whitby		
	Pension Committee Minutes	R Leighton		
29/4/2022	Minutes 28/1/2021 and Action Log	R Leighton		
	Administration Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Code of Practice Action Plan [review]	J Walton		
	Effectiveness Review of the Pension Fund Board [review]	M Oakensen		
	Risk Strategy [pre scrutiny]	J Walton		
	Pension Committee Minutes	R Leighton		

CAMBRIDGESHIRE
PENSION FUND

Pension Fund Board

5 November 2021

Report by: Head of Pensions

Subject	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:	Jo Kent, Governance and Regulations Manager joanne.kent@westnorthants.gov.uk

1. Background

1.1 One of the core functions of the Pension Fund 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. Key Performance Indicators – Pensions Service

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

2.2 Full KPI details for the period 1 June to 30 September 2021 can be found in appendix 1.

2.3 Over the 4-month period there been a number of resource and system issues that have impacted performance, particularly relating to the payment of retirement benefits.

2.4 The corporate network was unavailable for a couple of days in mid-August and following that changes to the WNC firewall caused intermittent responsiveness issues with our hosted pensions server until mid to late October. This impacted all casework teams to varying degrees.

2.5 In addition, the retirements team has managed two vacancies over the period June to October, with associated training implications following successful recruitment, and contended with Covid sickness absences and seasonal leave. This has meant that at various points during the review period only half of the team have been available.

2.6 Performance delays are most noticeable in our newest indicator, retirement from deferred status; there are not ordinarily the same continuity of income issues as with retirements from active status nor the same statutory performance requirement. We still believe the performance target is achievable and will be looking to improve performance in this area over the coming months.

3. Receipt of Employee and Employer Contributions

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

3.2 The table in appendix 2 shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1 September 2020 to 31 August 2021.

3.3 There were no late payments of contributions in August, one late payment in June and seven in July.

4. Breaches of the Law

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

4.2 For the period 1 June to 30 September 2021, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	Two employers in the Fund failed to submit information in order for Pension Saving Statements to be issued by the statutory deadline of 6 October 2021. This has affected 4 members.	All affected members have been written to advising that there will be a delay in receiving this information and the matter has been escalated with each employing authority.
	0.9% of Annual Benefit Statements were not issued by the statutory deadline of 31st August due to a delay in information from the respective employers.	All Annual Benefit Statements have now been issued and employers reminded of their statutory obligations.

5. Internal Dispute Resolution Procedure

5.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

5.2 The following table details that activity undertaken during the period 1 July 2021 to 31 October 2021.

Nature of dispute	Stage 1 (Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Dispute over benefits payable where AVCs were included in estimate of lump sum (received 13 August 2021).	Partially upheld (4 October 2021).	N/A
Dispute over transfer out of pension benefits not being allowed due to the transfer containing GMP and the member being above age 60 (received 6 September 2021).	In progress - deadline for response 6 November 2021.	N/A
Issues with membership records, providing inconsistent details and delays in response.	Upheld (2 July 2021)	N/A
Lack of communication and another member's Lump Sum being paid into member's account	Partially upheld (8 July 2021)	N/A
Deferred member who was traced after having attained normal retirement age in 2012 was refused a transfer out of the LGPS	Partially upheld, in relation to the timing of the tracing exercise (21 July 2021)	N/A
Length of time to finalise early payment of benefits on ill health grounds for a terminally ill deferred member and other issues regarding payment of benefits	Partially upheld (17 August 2021).	N/A
Seeking reinstatement / compensation for LGPS benefits that were transferred to an overseas pension scheme in 2015 (received 5 December 2019)	Not upheld (2 March 2021)	In progress. Appeal received 29 June 2021. Deadline for response is 18 November 2021.

5.3 Initial contact from The Pensions Ombudsman about a case involving recovery of an overpayment of pension that had been through both stages of the Internal Dispute Resolution Procedure during 2019/20 was received on 11 June 2021. A response was provided on 8 July2021 which has been acknowledged by The Pensions Ombudsman in which it was indicated that due to their workload nothing further is likely to be heard in relation to this case for a period of 9 months.

6. Employers Admissions and Cessations

6.1 The following admitted bodies were admitted to the Cambridgeshire Pension Fund:

- Compass Contract Services (Holme CofE Primary)
- Elior Holdings UK Ltd (Jack Hunt School)
- Milestone Infrastructure Limited – M Group Services
- Multi-Active Holiday Courses Limited (Houghton Primary School)
- VHS Cleaning Services Limited (Linton Village College)

6.2 The following scheduled body was admitted to the Cambridgeshire Pension Fund:

- Eastern Learning Alliance

6.3 The following bodies have ceased to be an employer within the Cambridgeshire Pension Fund:

- ABM Catering Limited (Middleton Primary School)
- CleanTec Services Ltd (Cromwell Academy)
- Easy Clean Limited (Greater Peterborough UTC)
- Edwards and Blake Limited (Cottenham Primary School)
- TBAP Multi Academy Trust
- William Law CofE Primary

7. Customer Service Excellence Standard

7.1 The Pensions Service recently undertook the annual assessment required to maintain the accreditation for the Customer Service Excellence Standard. The assessment confirmed that the service has retained the 7 compliance pluses from last year and gained an additional one compliance plus from the assessment this year.

8. 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*

9. Risk Management

9.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.

9.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

9.3 The Fund's risk register can be found on the Pensions website at the following link: Cambridgeshire Pension Fund Risk Register.

10. Communication Implications

Direct communications	The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report. Employers of the Fund are guided through the admission process and directly kept up to date with requirements and progress. Members who enter the Internal Dispute Resolution Procedure are kept informed of progress within the statutory timescales.

11. Finance & Resources Implications

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

12. Legal Implications

12.1 Legal advice was sought from the Fund's advisors in relation to the Internal Dispute Resolution Procedure as referenced in section 5.2.

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 Not applicable

15. Background Papers

15.1 Not applicable

16. Appendices

16.1 Appendix 1 Key Performance Indicators – Pensions Service

16.2 Appendix 2 Receipt of Employee and Employer Contributions

16.3 Appendix 3 Late payment of employer contributions (exempt)

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 25/10/2021

Appendix 1 - Key Performance Indicators – Pensions Service June to September 2021

Function/Task	Indicator	Target	Month	Completed	Within Target	Over Target	% Within Target	RAG	**Comments**
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	June July August September	195 116 146 109	183 116 138 98	12 0 8 11	93 100 94 89	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	June July August September	55 54 36 76	51 53 29 71	4 1 7 5	92 98 80 93	Amber Green Red Amber	SLA target not met[1] SLA target met SLA target not met[1] SLA target not met[1]
Payment of pension benefits from deferred membership status	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	June July August September	57 56 82 99	47 41 50 82	10 15 32 17	82 73 60 82	Red Red Red Red	SLA target not met[2] SLA target not met[2] SLA target not met[2] SLA target not met[2]
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	June July August September	38 41 33 31	38 41 33 31	0 0 0 0	100 100 100 100	Green Green Green Green	SLA target met SLA target met 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%	June July August September	64 56 30 27	63 56 28 24	1 0 2 3	98 100 93 88	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	June July August September	57 48 23 18	57 47 22 16	0 1 1 2	100 97 95 88	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not 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%	June July August September	23 21 31 14	23 21 30 14	0 0 1 0	100 100 96 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

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

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

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

Appendix 2 - Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
September 2020	99.8	0.2	99.8	0.2
October 2020	100	0	100	0
November 2020	100	0	100	0
December 2020	100	0	100	0
January 2021	100	0	100	0
February 2021	100	0	100	0
March 2021	100	0	100	0
April 2021	99.2	0.8	99.6	0.4
May 2021	99.8	0.2	99.8	0.2
June 2021	99.8	0.2	99.8	0.2
July 2021	98.6	1.4	98.6	1.4
August 2021	100	0	99.8	0.2
Average for period	99.8	0.2	99.8	0.2

Cambridgeshire
Pension Fund

Pension Fund Board

Date: 5 November 2021

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2021/22
Purpose of the Report:	To present the Business Plan Update up to 30 September 2021
Recommendation:	The Pension Fund Committee is asked to: Note the Business Plan Update to 30 September 2021
Enquiries to:	Mark Whitby, Head of Pensions mark.whitby@westnorthants.gov.uk

1. Background

1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period up to 30 September 2021.

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

2. Variances against the forecast of investments and administration expenses

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

3. Key activities

3.1 Re-tender for strategic investment advisory services

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

3.1.3 Key milestones:

Key Milestones	Dates	On target for completion?
Notify successful supplier	April 2021	Completed
Complete Consultancy procurement / complete National Frameworks Order	June 2021	Procurement completed. Order will be completed in line with new contract (see below)
Complete Management Performance Reporting procurement	June 2021	Not applicable
Transition/handover (including historical performance data)	July 2021 to September 2021	Not applicable
New contract begins	1 October 2021	Delayed (see below)
Strategy health check	31March 2022	On target

3.1.3 Update: The successful supplier was the Fund's incumbent strategic adviser, Mercer. Officers are currently working on completing the contract with Pathfinder Legal Services and Mercer. Completion was delayed due to a revised attestation clause being needed due to the value of the contract. As the existing contract expired on 30th September 2021, Officers have extended the current contract under the existing terms, until the new contract has been fully executed.

3.2 Retender for global custody services

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

3.2.2 Key milestones:

Key Milestones	Dates	On target for completion?
Work with ACCESS partners to call off a common custodian.	December 2020 to 30 September 2021 (revised date, formerly June 2021)	Awaiting final sign off from legal services
Complete transition to the new custodian (if required).	July 2021 to September 2021	

3.2.3 Update: Both parties have signed the order form and it is currently being reviewed by Pathfinder Legal Services.

3.3 Review contracts for actuarial, benefits and governance consultancy services

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

Key milestones:

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

3.3.2 Update: No further update following the decision made in July to extend the Actuarial Services contract by 12 months and to re-tender for the Benefits and Governance Consultancy Services in line with the expiry of the existing contract on 1 April 2023.

3.4 Re-tender for pensions administration and pensioner payroll platform

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

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

3.4.2 Key milestones:

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

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

3.6 Review Business Continuity Plan

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

3.6.2 Key milestones:

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

3.6.3 Update: A corporate BCP template has now been acquired from West Northamptonshire Council (WNC) and is in the process of being completed to reflect the new arrangements within WNC. A complete overhaul is being undertaken as part of the review to look at a wide range of scenarios such as loss of premises and loss of IT.

3.7 Develop the Fund's cyber-resilience strategy

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

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

3.7.2 Key milestones:

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

3.7.3 Update: The Cyber-Resilience Strategy and action plan was approved by the Pension Fund Committee at the meeting in October. The mapping of the Fund's data and asset flows has now been completed with the four riskiest suppliers to the Pension Fund identified to receive the survey to ascertain their approach to cyber security.

3.8 Obtain the Pension Administration Standards Association (PASA) accreditation

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

3.8.2 Key milestones:

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

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

3.9 Complete the Guaranteed Minimum Pension Rectification

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

3.9.2 Key milestones

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

3.9.3 Update: Final files required to update the Pension Administration System have been received and records are being updated using the guaranteed pension rectification tool purchased from Heywoods, this is due to conclude by the end of October. Following analysis of the data uploaded, notifications to members affected by the changes are due to start from January 2022.

3.10 Prepare for the application of the McCloud age discrimination remedy

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

3.10.2 Key milestones:

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

3.10.3 Update: Data collection templates have been issued to all scheme employers highlighting employees who may be affected by the changes. The deadline for the completion of these templates is 17 November 2021 and instruction manuals have been included to support this process. The email account dedicated to pension projects is being monitored continuously with support being provided to employers.

3.11 Prepare for the 2022 Valuation of the Pension Fund

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

3.11.2 Key milestones:

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

3.11.3 Update: A plan and timeline for valuation activities has been agreed with the Actuary and preparation activities commenced in August 2021. Activities at this stage include preparing membership data for the actuary to begin data cleansing activities; contribution rate modelling for large Scheduled bodies (large Councils and the Police and Fire authority) and completion of information gathering to assess the covenant strength of the Fund's riskiest employers.

3.12 Processing of undecided leaver records

3.12.1 Background: The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

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

3.12.2 Key milestones:

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

3.12.3 Update: As of 30 September 2021 the number of identified undecided leaver records that are more than 6 months old was 9,104. This is an increase of 348 since 31 July 2021. The increase is due to an increase in volume of cases in the business as usual team following the end of the academic year, identified cases of poor staff performance that is being addressed and ongoing recruitment to fill vacancies. Focus will now be put into all office staff skilled in processing undecided leavers assisting with the clearance on selected days.

3.13 Scope and conduct potential liability reduction exercise

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

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

3.13.2 Key milestones:

Key Milestones	Dates	On target for completion?
Conduct exercise (to review and offer refund options to members).	April 2021 to March 2022	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023	Postponed with effect from October 2021 to focus resources on the processing of undecided leavers.

3.13.3 Update: Further activity in connection with chasing members for historically unclaimed refunds has been postponed to enable Officers to concentrate on higher priority activities, including the processing of leavers. Any refunds requested by members will continued to be processed as a business as usual activity as well as issuing new refund options as and when required.

3.14 Implement multiple investment strategies

3.14.1 Background: With an increasing number and variety of scheme employer

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

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

3.14.2 Key milestones:

Key Milestones	Dates	On target for completion?
Consider impact modelling by Fund Actuary.	April 2021 to May 2021	Completed
Pension Fund Committee to decide whether to proceed.	July 2021	Completed
Devise and implement action plan.	August 2021 to September 2022	Not applicable

3.14.3 Update: A paper was presented to the Committee detailing the results from the impact modelling carried out by the Fund Actuary with an officer recommendation not to proceed any further with this project as it was felt that the benefits were outweighed by the cost, time and resources required to implement multiple investment strategies. The Committee resolved not to proceed any further with the project.

3.15 Conduct specific employer covenant monitoring

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

3.15.2 Key milestones:

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

3.15.3 Update: Responses to the employer covenant assessment have been provided to PWC who have analysed the results and are preparing a report for discussion with officers and the Fund Actuary before the end of October.

3.16 Continue development of the asset pool

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

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

3.16.2 Key milestones:

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

3.16.3 Update: The Fund will be transferring its existing investment in the M&G Alpha Opportunities Fund into a new ACCESS sub-fund - Current expected launch date for the sub-fund is 1st December 2021.

Emerging Markets- The selection and appointment of an EM sub-fund manager is currently on hold until the sub-fund protocol has been approved by the ACCESS S151 Committee in November 2021 and ACCESS Joint Committee in December 2021.

Illiquid assets- The procurement for the implementation adviser was completed and the standstill period ended on the 4th October 2021. Essex County Council procurement team have confirmed that MJ Hudson was the successful supplier. The ACCESS Support Unit and Essex County Council Procurement team are currently finalising the contract with MJ Hudson.

Promoting the Fund's requirements- Officers will submit the request to launch the Bluebay sub fund once the ACCESS Joint Committee approves the sub fund protocol that is due to be presented in the December Joint Committee.

3.17 Review the Fund's Responsible Investment Policy

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

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

3.17.2 Key milestones:

Key Milestones	Dates	On target for completion?
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021	Completed
Pension Fund Committee approval of revised ISS	December 2021 (formerly October 2021)	On target.

3.17.3 Update: The ISS was approved at the September ISC and will be presented at the December 2021 Pension Fund Committee for approval. The presentation of the ISS has been deferred to December due to the close proximity of the September ISC and Pension Committee date.

3.18 Review the Property Strategy

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

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

3.18.2 Key milestones:

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

3.18.3 Update: Officers have received a draft scope for the property investment review from Mercer. The scope has been shared with the Independent Adviser and all parties are currently working on refining the scope with Mercer.

3.19 Review of Performance Reporting and Benchmarks

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

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

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

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

3.19.2 Key milestones:

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

3.19.3 Update: Both the Head of Pensions and Mercer have reviewed Mercer's current template performance report and agreed that this is suitable to be used for reporting starting with the September 2021 quarterly performance report. The new performance report will also address the questions around benchmarking. Reporting will be updated based on any feedback from the ISC Members.

4 Additional key activities for 2021/22

4.1 Review contract for specialist pensions legal services

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

4.2.2 Key milestones:

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

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

4.3 Review the Pension Regulator's revised Code of Practice

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

4.3.2 Key milestones:

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

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

5. Relevant Fund objectives

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

6. Risk Management

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

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

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

6.3 Please see full version of the Cambridgeshire Risk Register

7. Communication Implications

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

8. Finance & Resources Implications

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

9. Legal Implications

9.1 Not applicable

10. Consultation with Key Advisers

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

11. Alternative Options Considered

11.1 Not applicable

12. Background Papers

12.1 Annual Business Plan and Medium Term Strategy 2021/22

13. Appendices

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

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

Checklist of Key Approvals

Has this report been cleared by Head of Pensions? Mark Whitby 26/10/2021

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

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

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

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

Fund Account	2021/22 Estimate	2021/22 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	119,000	122,000	3,000	Contributions in line with current membership numbers
Transfers in from other pension funds	23,000	12,000	(11,000)	Large transfer in from Lincolnshire (£15.5m) originally projected in 21/22 but paid in 20/21
Total income	**142,000**	**134,000**	**(8,000)**	
Benefits payable	(113,000)	(115,000)	(2,000)	
Payments to and on account of leavers	(7,000)	(9,000)	(2,000)	Demand led
Total Payments	**(120,000)**	**(124,000)**	**(4,000)**	
Net additions/(withdrawals) from dealings with members	**22,000**	**10,000**	**(12,000)**	
Management Expenses	(4,173)	(4,140)	33	See below
Total income less expenditure	**17,827**	**5,860**	**(11,967)**	
Investment income	34,000	34,000	-	
Taxes on income	-	-	-	
(profit) and losses on disposal of investments and changes in the market value of investments	150,000	167,000	17,000	Actual Q1 return followed by actuarial long term growth assumption
Net return on investments	**184,000**	**201,000**	**17,000**	
Net (increase)/decrease in the net assets available for benefits during the year	**201,827**	**206,860**	**5,033**	

Management Expenses	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	(2,539)	(2,566)	(27)	See below
Total Governance Expenses	(720)	(672)	48	Consultancy costs and legal costs lower than expected as at September 2021.
Total Investment Invoiced Expenses	(914)	(902)	12	
Total Management Expenses	**(4,173)**	**(4,140)**	**33**	

Administration Expenses Analysis	2021-22 Estimate	2021-22 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	(1,597)	(1,593)	4	
Altair administration and payroll system	(365)	(373)	(8)	Altair Insights addendum
Data projects	(49)	(76)	(27)	McCloud Change Request
Communications	(24)	(21)	3	
Other Non-Pay and Income	(15)	(14)	1	
County Council Overhead Recovery	(489)	(489)	-	TBC by the end of the financial year
Total Administration Expenses	**(2,539)**	**(2,566)**	**(27)**	

Agenda Item: 7

Cambridgeshire Pension Fund

Pension Fund Board

05 November 2021

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Pension Fund Board with information on: 1) Ministry of Housing, Communities and Local Government 2) The Pensions Regulator – new code of practice 3) Skills and knowledge opportunities.
Recommendations	That the Pension Fund Board notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, E-mail: joanne.walton@westnorthants.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. Ministry of Housing, Communities and Local Government (MHCLG)

2.1 On 19 September 2021, the Government announced that the MHCLG will become the Department for Levelling Up, Housing and Communities (DLUHC).

3. The Pensions Regulator – new code of practice

3.1 On 17 March 2021 the Pensions Regulator (TPR) launched a consultation on its new code of practice which closed on 26 May 2021. The code of practice sets out how the Pensions Regulator expects trustees (in the case of the LGPS Pension Committee, Board Members, Section 151 Officers and administrators) to administer, govern and manage their respective pension schemes.

3.2 The draft new code consolidates (with updates and amendments) most of the existing 15 codes of practice including the public service code of practice 14 into a new online code providing a single up-to-date and consistent source of information. The other codes will be consolidated into the single code at a later date, subject to further consultation.

3.3 The new code of practice was expected to come into force in November 2021. However, due to the number of responses the Pensions Regulator has received to the consultation it is now expected that the code of practice will come into force in Spring/Summer 2022.

3.4 The Fund will have six months in order to become compliant with the code of practice from when it comes into force. An action plan will be produced to ensure compliance is achieved in that timescale.

4. Skills and knowledge opportunities – training events

4.1 The Public Services Pensions Act 2013 and the Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) require all members of the Local Pension Board to maintain the necessary skills and knowledge to undertake their role effectively.

4.2 In order to facilitate the acquisition of skills and knowledge for members of the Local Pension Board, appendix A lists the main events that are deemed useful and appropriate.

4.3 It was recognised that recent local elections have resulted in a significant change to the membership of the Pension Fund Committee and so an introductory training session was held on 21 June 2021 covering at a high level the knowledge requirements of being a Pension Fund Committee and Pension Fund Board member hosted by the advisers from the Fund's benefits and governance advisors, Aon and legal advisors, Squire Patton Boggs.

4.4 A series of more in-depth training sessions to cover the CIPFA Skills and Knowledge core modules (see appendix 1), again hosted by Aon, began on 1 July 2021 and concluded in September 2021.

4.5 Web links to all of the recordings of all these training sessions has been made available to all members of the Local Pension Board and Committee so that any missed sessions can be watched at a later date. Whilst the web links will remain live until 31 March 2022, it is hoped that all Board and Committee members will view all training sessions by the 31 December 2021 to ensure there is sufficient individual knowledge to be able to scrutinise and challenge decisions made by the Pension Committee at forthcoming meetings.

5. Relevant Pension Fund Objectives

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

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

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

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

6. Risk Management

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

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

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

Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. (Green residual risk rating)
Failure to administer the scheme in line with regulations and guidance. (Green residual risk rating).
Failure to provide relevant information to the Pension Fund Board to enable informed decision making. (Green residual risk rating.

6.3 The Fund's risk register can be found on the Fund's website at the following link: Cambridgeshire Risk Register

7. Finance & Resources Implications

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

8. Communication Implications

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

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

9. Legal Implications

9.1 Not applicable

10. Consultation with Key Advisers

10.1 Not applicable

11. Alternative Options Considered

11.1 There are no alternative options to be considered.

12. Background Papers

12.1 Not applicable.

13. Appendices

13.1 Appendix 1 – Schedule of virtual training events.

Checklist of Key Approvals

Has this report been cleared by Head of Pensions? Mark Whitby – 25/10/2021

The below training modules have been delivered as part of the CIPFA Core Competency Framework and members are encouraged to watch the recorded sessions if any of the live sessions have been missed by **31 December 2021.**

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

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

Upcoming external training events

Date	Event Description	Audience
8-10 December 2021	LAPFF Annual Conference Bournemouth TBC	Pension Committee, Pension Board, Officers, Section 151 Officers
20-21 January 2022	LGPS Governance Conference Face to Face in Bournemouth or online flyer_final.pdf (eventsforce.net)	Pension Committee, Pension Board, Officers, Section 151 Officers
4-6 July 2022	PLSA Local Authority Conference 2022 Gloucestershire TBC	Pension Committee, Pension Board, Officers, Section 151 Officers

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

5 November 2021

Report by: Head of Pensions

Subject	Cambridgeshire Pension Fund Risk Register
Purpose of the Report	To present the Cambridgeshire Pension Fund Risk Register
Recommendations	The Pension Fund Board are asked to review the Cambridgeshire Pension Fund Risk Register
Enquiries to:	Michelle Oakensen, Governance Officer michelle.oakensen@westnorthants.gov.uk

1. Background

1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28th March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.

1.2 At this time it was agreed that the Pension Fund Board would monitor risks on a quarterly basis and the Pension Fund Committee would review on a bi-annually basis, unless any concerns were raised by the Board prior to this.

1.3 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link - Codes of practice | The Pensions Regulator.

2. Review of the Cambridgeshire Pension Fund Risk Register

2.1 The risk register has been reviewed by officers for this period and the following updates are being recommended to reflect the current position of the Fund:

Risk No	Risk	Proposed change(s)
24	Unable to deliver pension services due to inadequate recruitment and retention processes.	Gross score to increase to 9 and residual risk increase to 6 due to current labour market shortages. Recent experience has highlighted that less applications are being received for advertised vacancies and in some instances recruitment exercises are needing to be undertaken more than once. In response the Fund is now utilising additional recruitment avenues, allowing for a wider target audience.

2.2 Board members are asked to review the full risk register located in appendix 1 of this report and advise if any further changes are required.

2.3 Officers have identified a number of short term risks that should be noted by the Pension Fund Board as follows:

2.3.1 The impact of the pandemic – The Service is still predominantly working remotely with allocated working areas increasing in capacity to allow for increased administrative functions, this has particularly impacted the ability to make and receive calls.

During August and September, the Service has seen an increase in staff illnesses such as Covid 19 and Flu following previous lockdowns, this has impacted the Service's ability to maintain high standards of productivity in some areas and this will continue to be monitored.

2.3.2 Knowledge for new members of the Pension Fund Committee and Pension Fund Board – Committee and Board Members have continued to undertake the core competency training delivered virtually by the Fund's governance advisors Aon. The final live training session concluded in September and all members are expected to undertake any missed training by the end of December 2021 in order to meet the training requirements of the Fund.

3. Relevant Pension Fund Objectives

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
To continually monitor and measure clearly articulated objectives through business planning.
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

4. Risk Management

4.1 The Pension Fund Committee and Pension Fund Board are expected to monitor risk and compliance and act appropriately where there is a cause for concern.

4.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Residual risk rating
Failure to understand and monitor risk and compliance	Green
Failure to provide relevant information to the Pension Committee/Local Pension Board to enable informed decision making.	Green

4.3 The full risk register can be found in appendix 1.

5. Communication Implications

Direct communications	The risk register and risk strategy is on the Pensions Service Website. The Local Pension Board will be kept up to date with risks at each meeting.

6. Finance & Resources Implications

6.1 There are no financial and resource implications associated with this 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 The Cambridgeshire Pension Fund Risk Strategy - Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS

11. Appendices

11.1 Appendix 1 The Cambridgeshire Pension Fund Risk Register

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 25/10/2021

Risk No	Risk	Relevant objectives	Responsible Lead(s)*	Risk Rating	Risk position
1	Employers unable to pay increased contribution rates.	9	**E**	12	→ 1
2	Failure to respond to changes in economic conditions.	15,16	**A**	12	→ 2
3	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund’s investments.	18, 19	**A**	9	→ 3
4	Contributions to the Fund are not received on the correct date and/or for the correct amount.	1,8,9,16	**A**	8	→ 4
5	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	**A**	8	→ 5
6	The Pension Fund and its members may become a target for fraudsters and criminals (cybercrime)	10,11	**ALL**	8	→ 6
7	Information may not be provided to stakeholders as required.	14	**ALL**	6	→ 7
8	The Investment Strategy’s Risk Reward profile does not match the requirements of the Fund.	16, 17,18	**A**	6	→ 8
9	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	**G**	6	→ 9
10	Risk of fraud and error.	2,10	**ALL**	6	→ 10
11	Failure to understand and monitor risk compliance.	5	**G**	6	→ 11
12	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	**E**	6	→ 12
13	Failure to recognise and manage conflicts of interest.	2,10	**G**	6	→ 13
14	Incorrect/poor quality held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	2,8,10,11	**G**	6	→ 14
24	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	**ALL**	6	↑ 15
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	**A**	4	↓ 16
16	Pension Fund systems and data may not be secure and appropriately maintained	10,11	**E**	4	↓ 17
17	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	**ALL**	4	↓ 18
18	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.				↓ 19
19	Pension Fund investments may not be accurately valued.	15	**G**	4	↓ 20
20	Actual experience materially differs from actuarial assumptions used at each valuation.	2,10,17,18	**A**	4	↓ 21
21	Failure to act appropriately upon expert advice and/or risk of poor advice.	9, 17,18	**E**	4	↓ 22

22	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	17,18,19,20	**ALL**	4	23
23	Unable to deliver pension services due to an inadequate business continuity plan.	9,17,18	**E**	4	24
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	8	**ALL**	4	25
26	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	1,2,3,19	**A**	3	26
27	Pension Fund objectives are not defined and agreed.	4	**G**	2	27

Key

E	Employer Services and Systems Manager
A	Accounting and Investments Manager
G	Governance and Regulations Manager
O	Operations Manager
ALL	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

Potential impact if risk occurred					
	5 Catastrophic	5	10	15	20
	4 Major	4	8	12	16
	3 Moderate	3	6	9	12
	2 Minor	2	4	6	8
	1 Insignificant	1	2	3	4
		1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)

Likelihood of risk occurring

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
1.	Employers unable to pay increased contribution rates.	4	4	16	R	• Provisional contribution rates are consulted on with each scheme employer as part of the valuation process. • Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. • Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.	4	3	12	A
2.	Failure to respond to changes in economic conditions.	4	4	16	R	• The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters. • The Fund receives quarterly performance reports which consider operational and strategic investment issues. • A formal review of the strategic asset allocation is undertaken on at least a triennial basis. • The Fund publishes an Investment Strategy Statement, incorporating a Responsible Investment Policy, which is regularly reviewed. • The Fund has currency hedging and equity protection arrangements in place. • Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements.	4	3	12	A

3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	4	4	16	R	• Investment managers are required to take account of both financial and non-financial factors in their investment decisions. • Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk. • Managers are required to report regularly on their compliance with our ESG policy. • The Head of Pensions is chairing an ACCESS Task & Finish Group responsible for the development of Pool Guidelines and future ESG reporting requirements, ensuring the Fund's responsible investment needs are met	3	3	9	A
4.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	3	12	A	• Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions. • A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy. • The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator. • Internal Audit reviews take place on an annual basis and external audit review the accounts annually.	4	2	8	A

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
5.	Fund assets are not sufficient to meet obligations and liabilities.	4	3	12	A	• The Funding Strategy Statement is reviewed every 3 years or more often as required. • The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates. • The year-end financial statements record the Fund's asset position and are subject to review by external audit. • The Fund has currency hedging and equity protection arrangements in place.	4	2	8	A
6.	The Pension Fund and its members may become a target for fraudsters and criminals (cybercrime).	4	3	12	A	• Cyber hygiene arrangements in place for system access. • Hosted pensions server and backup server are at separate sites. • Disaster recovery plans are in place for both Heywood and WNC • Compulsory annual online training for Officers on Cyber resilience and Data Protection. • Cyber Strategy and Action Plan developed • Data asset mapping undertaken (and will be continually reviewed) to understand risks during data transfer and whilst data is held by third parties	4	2	8	A

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
7.	Information may not be provided to stakeholders as required.	3	3	9	A	• Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups. • Letters are generated through task management for consistency and are checked before being sent out. • Communications Officer now in place. • Membership of the LGA Communications Working Group. • Membership of the Regional Joint Communications Group. • Communication and Digital Communication Strategy in place.	3	2	6	G
8.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	3	3	9	A	• Investment Strategy in place which is in accordance with LGPS investment regulations. • A formal review of the strategic asset allocation is undertaken on a triennial basis. • The Fund appoints professional investment advisers to support the Pension Committee's investment decisions. • At each triennial valuation the Fund Actuary considers and makes a statement on the links and consistency between the Fund's Funding Strategy and Investment Strategy. • Members are encouraged to participate in Skills & Knowledge training with respect to investments and attend relevant industry conferences. Detailed training records are maintained.	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
9.	Those charged with governance are unable to fulfil their responsibilities effectively.	3	4	12	A	• Training Strategy in place to facilitate the continual development of both Committee and Board members. • New members are provided with relevant documentation to assist them in their roles. • The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). • CIPFA Skills and Knowledge training within 6 months of joining followed by targeted training based on decisions that the Committee are asked to make.	3	2	6	G
10.	Risk of fraud and error.	3	3	12	A	• Anti- Fraud and Corruption policy in place. • Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks. • Robust processes in place including segregation of duties and authorisation protocols. • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. • Aspects of the control environment are tested by Internal Audit and External Audit.	3	2	6	G
11.	Failure to understand and monitor risk compliance.	3	2	6	G	• Business Continuity plan in place and is reviewed at least annually. • Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales. • The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making.	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
12.	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	• Employers are made aware of their responsibilities upon admission via the Pension Service website and direct employer communication. • Training is provided to employers by a dedicated Employer's Team as required. • The importance of a statutory deadlines is stressed to employers through regular communications and events such as the Employer Forum. • Support is also available through the website, dedicated employers help line and templates issued where applicable. • An Administration Strategy is in place setting out employer performance targets. • In the process of agreeing escalation pathways with the Fund's major providers of member data.	2	3	6	G
13.	Failure to recognise and manage conflicts of interest.	4	2	8	A	• Declaration of interests are made at the beginning of all statutory meetings where not held on the Councillor declaration register. • Conflicts of Interest Policy in place for the Local Pension Board. • Committee and Board members are encouraged to undertake the Pension Regulator's Toolkit which includes a conflicts of interest module. • Governance and legal advice sought as required	2	3	6	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
14.	Incorrect/poor quality held on the Pension Administration and Payroll platforms or delays with receiving information leading to incorrect information/delayed provision of information to members and stakeholders	3	3	9	A	• The Data Improvement Policy and Plan are in place. • The Data Improvement Policy and Plan are reviewed at least annually and material amendments approved by the Pensions Committee. The Local Pension Board have oversight of policy reviews. • The Pension Committee and Local Pension Board receive updates against the plan quarterly. • Dedicated Employer Services Team to query/chase data as required. • Administration Strategy in place which sets out expectations of employers and potential sanctions. • Escalation process in place for repeated incorrect or delayed data being received by the Fund.	3	2	6	G
15.	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	4	2	8	A	• The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework. • Complete and authorised agreements are in place with external custodian. • External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. • Officers of the Fund engage in quarterly monitoring of custodian performance.	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
16.	Pension Fund systems and data may not be secure and appropriately maintained	4	2	8	A	• System user controls are in place including regular password changes. • Access rights are controlled and data is backed up. • Audit trails are in place. • Pension system is protected against viruses and other system threats. • The pensions administration system is updated to ensure LGPS requirements are met by adhering to legislation, meeting disclosure regulations and following statutory guidance. • Hosted pensions server and backup server are at separate sites. • Disaster recovery plans are in place for both the administration system software supplier and the authority. • Compulsory annual online training for Officers on Cyber resilience and Data Protection.	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	R A G	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	R A G
17.	Failure to administer the scheme in line with regulations and guidance.	5	2	10	A	• Policies and strategies are in place and are accessible on the Fund website. • Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary. • A Training Strategy is in place for those charged with governance. • Officers attend regional Pension Officer working groups and consult with professional advisors where appropriate. • Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when. • The Fund subscribes to relevant professional bodies such as the Local Authority Pension Funds Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.	4	1	4	G
18.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	• Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making. • Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer (for Pensions Committee papers) and Head of Pensions. • Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
19.	Pension Fund Investments may not be accurately valued.	3	2	6	G	• The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements. • The year-end financial statements record the Funds asset position and is subject to robust review by external audit. • Officers work closely with the Fund's Custodian to ensure accuracy of asset valuations.	2	2	4	G
20.	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	• Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate. • Officers in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee. • Investment performance is reported monthly to the Fund Actuary. • A specialist longevity service is employed to provide accurate Fund specific longevity analysis. • Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions, ensuring numerous possible financial scenarios are modelled.	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
21.	Failure to act appropriately upon expert advice and/or risk of poor advice.	4	2	8	A	• Pension Committee decisions and oversight by the Local Pension Board. • Investment consultants and independent advisors appointed via a robust appointment process. • Members are encouraged to participate in Skills & Knowledge training and attend relevant industry conferences. Detailed training records are maintained. • Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams. • Continually keeping up to date with evolving developments to ensure robust cyber resilience in conjunction with specialist advice, including the resilience with using laptops and non-corporate Wi-Fi networks.	2	2	4	G
22.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	3	3	9	A	• Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place. • Close liaison with employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy. • Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis.	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
23.	Unable to deliver pension services due to an inadequate business continuity plan.	3	2	6	G	• Business Continuity plan in place and is reviewed at least annually. • Business continuity arrangements includes the ability for staff to work remotely to meet the demands of the service. • Multi skilling across the service for flexibility and resilience.	2	2	4	G
24.	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	3	9	G	• Establishment reporting undertaken monthly to identify any recruitment/retention issues. • Recruitment undertaken utilising all available avenues including agency staff. • Staff leaving interviewed to understand reason for cessation. • Regular performance reporting across all business processes serves as early warning system. • Consultancy contracts in place as a backstop. • Utilising additional recruitment avenues.	2	3	6	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
25.	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	3	2	6	G	• The Fund is compliant with Investment regulations and best practice guidance. • The Fund appoints professional investment advisers to support the Pension Committees investment decisions. • The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation. • Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues. • The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues.	3	1	3	G
26.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	3	2	6	G	• Automated extraction of data where viable and agreed procedures for reporting. • Robust authorisation protocols in place. • Internal and External audit reviews. • Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process. • Membership year end reconciliation and investigate variations from the accounting valuations. • Management and administration are maintained in accordance with the SORP and the Financial Regulations. • Data Improvement Policy and Plan are in place. • Anti-Fraud and Corruption Policy in place.	3	1	3	G

Risk No	Risk	Gross Impact	Gross Likeli-hood	Gross Total	RAG	• Controls	Residual Impact	Residual Likeli-hood	Residual Total	RAG
27	Pension Fund objectives are not defined and agreed.	4	2	8	A	• Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. • Relevant objectives are referenced on every committee report. • Objectives are referenced in all policy documents and the risk register to ensure appropriate focus.	2	1	2	G

Criteria for assessing impact and likelihood

Impact

Description	Risk Appetite
Catastrophic (5)	• Unacceptable level of risk exposure which requires immediate action to be taken. • >£10m. • Section 151 or government intervention or criminal charges. • Critical long term disruption to service delivery. • Significant and sustained local opposition to policies and/or sustained negative media reporting in national media.
Major (4)	• Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure. • <£10m. • Major civil litigation setting precedent and/or national public enquiry. • Major disruption to service delivery. • Sustained negative coverage in local media or negative reporting in the national media.
Moderate (3)	• Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly. • >£5m. • Major civil litigation and/or public enquiry. • Moderate direct effect on service delivery. • Significant negative front page reports/editorial comment in the local media.
Minor (2)	• Acceptable level of risk exposure subject to regular passive monitoring measures, at least half yearly. • >£1m. • Minor regulatory enforcement. • Minor disruption to service delivery. • Minimal negative local media reporting.
Insignificant (1)	• Acceptable level of risk exposure subject to periodic passive monitoring measures, at least annually. • >£0.5m. • Minor civil litigation or regulatory criticism. • Insignificant disruption to service delivery. • No reputational impact.

Likelihood

Description	% risk of happening	Or	Potential timescale
Rare (1)	5		Once in 20 or more years
Unlikely (2)	15		Once in 10 to less than 20 years
Possible (3)	40		Once in 3 to less than 10 years
Likely (4)	65		Once in 1 to less than 3 years
Almost certain (5)	80		At least once in a year

Agenda Item: 9

Cambridgeshire
Pension Fund

Pension Fund Board

5 November 2021

Report by: Head of Pensions

Subject:	Admission Bodies, Scheme Employers and Bulk Transfer Policy
Purpose of the Report:	1. To present amendments to the Fund's Admission Bodies, Scheme Employers and Bulk Transfer Policy to the Pension Fund Board
Recommendations:	That the Pension Fund Board note the ammendments to the Admissions Bodies, Scheme Employers and Bulk Transfer Policy
Enquiries to:	Name – Cory Blose, Employer Services and Systems Manager Tel – 07990 560829 E-mail – cory.blose@westnorthants.gov.uk

1. Background

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

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

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

1.4 The ammendments to the Admission Bodies, Scheme Employers and Bulk Transfer Policy were approved by the Pension Fund Committee on 30 September 2021.

2 Amendments to the policy

2.1 Ammendments to the policy document include:

- The list of Pension Fund objectives relevant to the policy document have been updated to reflect the latest version of the Pension Fund Objectives.
- Changes to reflect the new regulations on reviewing employer contribution rates and managing employer exits, introduced in September 2020 and signposting to the Fund's policies on these matters within the Funding Strategy Statement.

- The Fund's policies on contribution rates and payments have been updated to reflect that a risk based approach is now taken when setting employer contribution rates, that the Fund no longer purchases external ill health insurance and other clarifying changes.

- The Fund's policy for tracking the funding position of employers has been updated to reflect that this now happens monthly using Hymans Robertson's HEAT solution.

- Clarification of the treatment of funding deficits and surpluses on cessation of an employer.

- Updates to the stabilisation of employer contribution rates for Academies to reflect the latest version of the Funding Strategy Statement.

- The Fund's policy on bulk transfers has been updated to simplify the process and reduce the need for costly actuarial negotiations.

- Addition of policies for the bulk transfer of pension obligations between Academy Trusts.

- Other non-material amendments that improve the wording of the document or provide clarity without materially changing policy positions.

3. Relevant Pension Fund Objectives

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

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

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

4. Risk Management

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

4.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk	Residual risk rating
Information may not be provided to stakeholders as required.	Green
Failure to administer the scheme in line with the regulations.	Green
Failure to assess and monitor the financial strength of an employer covenant to ensure the employer liabilities are met	Green

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

Pension Fund Risk Register hyperlink

5. Finance & Resources Implications

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

6. Communication Implications

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

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

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

7. Legal Implications

7.1 None

8. Consultation with Key Advisers

8.1 Actuarial advice was taken when updating the policy document.

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

9. Alternative Options Considered

9.1 None available.

10. Appendix

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

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

Checklist of Key Approvals

Has this report been cleared by Head of Pensions? Mark Whitby 22/10/2021

Cambridgeshire
Pension Fund

Admission bodies, scheme employers and bulk transfer policy 2021

West Northamptonshire Council | Cambridgeshire County Council

Administered in partnership

Contents

DRAFT

1 Introduction

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

2 Policy objectives

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

- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.;
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.; and
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to:

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

4 Cambridgeshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

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

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

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

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

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

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

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

4.1.2 Approval for becoming an admission body

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

Fund.

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

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

4.1.3 Allocation of assets

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

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

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

4.1.4 Investment strategy

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

4.1.5 Contribution rates and other costs

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

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

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

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

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

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

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

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

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

4.1.6 Pass through arrangements

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

Under the pass-through arrangement, the admission body:

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

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

4.1.7 Ongoing monitoring of admission bodies

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

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

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

4.1.8 Cessation terms and requirements

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

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

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

4.1.9 **Future cessation**

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

4.1.10 **Deferral of cessation debt**

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

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

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

4.1.12 **Basis of termination valuation**

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

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

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

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

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

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

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

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

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

b) Non time limited admission bodies

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

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

4.1.13 Payment of cessation debt

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

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

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

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

4.1.14 **Payment of surplus / exit credit**

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

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

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

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

4.2.1 **Allocation of assets**

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

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

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

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

4.2.2 Matched investment strategy

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

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

4.2.3 Contribution rates and other costs

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

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

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

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

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

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

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

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

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

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

4.2.4 Ongoing monitoring of scheme employers

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

4.2.5 Cessation terms and requirements

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

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

4.2.6 Future cessations

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

4.2.7 Deferral of cessation debt

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

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

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

4.2.9 Basis of termination valuation

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

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

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

4.2.10 Payment of cessation debt

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

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

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

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

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

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

4.2.11 Payment of surplus / exit credit

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

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

4.3 Bulk transfers

4.3.1 Calculation of bulk transfer out of the Fund

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

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

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

4.3.2 Adjustment to transfer payment between transfer date and payment date

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

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

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

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

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

4.3.3 Format of bulk transfer

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

4.3.4 Bulk transfers in

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

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

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

4.3.5 Approval process for paying or receiving a bulk transfer

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

4.3.6 Costs

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

Appendix 1

Admission bodies - overriding principles

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

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

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

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

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

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

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

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

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

Fair deal, ODPM code of practice and the direction

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

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

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

Appendix 3

Bulk transfers – overriding principles

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

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

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

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

Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

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

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

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

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

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

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

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

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

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

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

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

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

Bulk transfers between employers in Fund

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

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

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

Transfers in

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

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

Cambridgeshire
Pension Fund
~~Cambridgeshire~~
~~Pension Fund~~

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

West Northamptonshire Council | Cambridgeshire County Council

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Contents

1 Introduction

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

2 Policy objectives

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

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

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

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

- ~~Put in place standards for~~To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and ~~its~~ employers.; and
- To ensure ~~these standards~~appropriate exit strategies are ~~monitored, enforced~~put in place both in the lead up to and ~~developed as necessary~~termination of a scheme employer.

3 Purpose of the policy

The purpose of the policy is to~~—~~:

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

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

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

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

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

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

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

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

4 Cambridgeshire Pension Fund policies

4.1 Admission bodies

4.1.1 Bond, indemnity or guarantor requirements for entry

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

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

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

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

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

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

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

4.1.2 Approval for becoming an admission body

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

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

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

4.1.3 Allocation of assets

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

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

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

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

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

4.1.4 **Investment strategy**

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

4.1.5 **Contribution rates and other costs**

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

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

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

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

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

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

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

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

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

~~**4.1.4 Pooling**~~

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

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

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

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

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

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

4.1.6 **Pass through arrangements**

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

Under the pass-through arrangement, the admission body:

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

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

4.1.7 **Ongoing monitoring of admission bodies**

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

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

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

4.1.8 **Cessation terms and requirements**

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

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

4.1.9 **Future cessation**

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

4.1.10 **Deferral of cessation debt**

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

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

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

~~4.1.10~~4.1.12 **Basis of termination valuation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.1.14 Payment of surplus / exit credit

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

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

Further details can be found within the Funding Strategy Statement.

4.2 Scheduled and designating bodies ("scheme employers")

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

4.2.1 **Allocation of assets**

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

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

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

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

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

4.2.2 **Matched investment strategy**

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

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

4.2.3 **Contribution rates and other costs**

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

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

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

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

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

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

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

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

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

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

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

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

4.2.4 **Ongoing monitoring of scheme employers**

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

4.2.5 **Cessation terms and requirements**

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

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

4.2.6 **Future cessations**

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

4.2.7 Deferral of cessation debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2.11 Payment of surplus / exit credit

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

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

4.3 Bulk transfers

4.3.1 Calculation of bulk transfer out of the Fund

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

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

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

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

4.3.2 Adjustment to transfer payment between transfer date and payment date

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

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

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

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

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

4.3.3 **Format of bulk transfer**

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

4.3.4 **Bulk transfers in**

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

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

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

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

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

4.3.6 **Costs**

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

Appendix 1

Admission bodies - overriding principles

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

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

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

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

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

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

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

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

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

Fair deal, ODPM code of practice and the direction

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

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

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

Appendix 3

Bulk transfers – overriding principles

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

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

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

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

Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

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

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

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

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

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

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

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

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

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

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

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

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

service credits.

Bulk transfers between employers in Fund

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

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

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

Transfers in

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

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

CAMBRIDGESHIRE
PENSION FUND

Pension Fund Board

5 November 2021

Report by: Head of Pensions

Subject	Cambridgeshire Pension Fund Training Strategy Review
Purpose of the Report	To present the Cambridgeshire Pension Fund Training Strategy Review to the Board
Recommendations	The Pension Fund Board are asked to review the Cambridgeshire Pension Fund Training Strategy
Enquiries to:	Michelle Oakensen, Governance Officer michelle.oakensen@westnorthants.gov.uk

1. Background

1.1 The Training Strategy is required to assist the Pension Fund Committee, Pension Fund Board and senior officers of the Cambridgeshire Pension Fund to ensure the Fund is managed and assisted by individuals who have the appropriate level of knowledge and skills as required by the Pensions Act 2004 and as enforced by the Pensions Regulator.

1.2 The Training Strategy was originally approved and published in December 2016 and reviewed in December 2018. Due to forthcoming changes as a result of the Scheme Advisory Board's (SAB) good governance review and a change in methodology of ensuring individuals undertake core elements of training it has been appropriate to review the Strategy and make revisions where necessary.

2. Proposed revisions to the Strategy

2.1 As a result of the review the following revisions are being recommended:

- Aimed at Pension Committee, Local Pension Board and senior officers including Section 151 Officers;
- Updated references to the knowledge and skill expectations resulting from proposals within SABs Good Governance Review and the revised CIPFA Skills and Knowledge framework;
- The delivery, recording and measurement of training and core competencies.

2.2 All proposed revisions to the strategy can be found in Appendix 2.

2.3 The strategy will be reviewed again once the Scheme Advisory Board and the Department for Levelling Up, Housing and Communities have published final guidance as a result of the Good Governance Review and also when the Pensions Regulator new singular Code of Practice comes into force.

3. Relevant Pension Fund Objectives

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
To continually monitor and measure clearly articulated objectives through business planning.

4. Risk Management

4.1 An appropriate training strategy that effectively facilitates the accrual of skills and knowledge on an individual Pension Fund Committee and Pension Fund Board member basis mitigates the following risks that have been identified and recorded on the Fund's risk register:

Risk	Residual risk rating
Those charged with governance are unable to fulfil their responsibilities effectively	Green
Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

4.2 The full risk register can be found - Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS

5. Communication Implications

Direct communications	The Training Strategy will be published on the Fund website

6. Finance & Resources Implications

6.1 The cost of training will be met by the Fund and recorded against the governance expenditure in the annual accounts.

7. Legal Implications

7.1 Failing to comply with changes to statutory guidance as detailed in section 2.3 of this report would be considered a breach of the law.

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 The Cambridgeshire Pension Fund Risk Strategy - [Key documents (CCC) - Cambridgeshire and Northamptonshire LGPS]

11. Appendices

11.1 Appendix 1 - Cambridgeshire Pension Fund Training Strategy – clean version
Appendix 2- Cambridgeshire Pension Fund Training Strategy – tracked version

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 25/10/2021

Cambridgeshire
Pension Fund

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Training Strategy

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West Northamptonshire Council

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Administered in partnership

Cambridgeshire
Pension Fund

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1. Introduction

1.1 This is the training strategy for the Cambridgeshire Pension Fund.

1.2 The training strategy is established to aid members of the Pensions Committee and Local Pension Board as well as Fund Officers and the Section 151 Officer ~~the Pension Fund Committee and Local Pension Board members~~ in performing and developing ~~personally~~ in their ~~individual~~ roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. Local Government Pension Scheme (LGPS) Funds are expected to follow the CIPFA ~~A Code of Practice and a~~ Knowledge and Skills Framework. ~~have been developed by CIPFA which Local Government Pension Scheme (LGPS) funds are expected to sign up to.~~

1.3 The objective of ~~the~~ CIPFA's Knowledge and Skills Framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by O~~o~~fficers and advisers to the ~~Pension~~ Fund. ~~Committee.~~

1.4 This Training Strategy takes into consideration the requirements of the pending Scheme Advisory Board Good Governance Review, the Pensions Regulator's Code of Practice and the Markets in Financial Instruments Directive (MiFID II) in addition to the requirements of the CIPFA Knowledge and Skills Framework requirements to ensure it encompasses best practice.

~~CIPFA subsequently extended the framework to cover the training and development of Local Pension Board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a Local Pension Board and assist Local Pension Board members in achieving the degree of knowledge appropriate for the purposes of enabling members to properly exercise their functions.~~

~~1.4 The Public Service Pensions Act 2013 has also amended The Pensions Act 2004 requiring the Pensions Regulator to issue a Code of Practice relating to the requirements of the knowledge and understanding of Local Pension Boards.~~

~~1.5 Guidance covering the knowledge and understanding of Local Pension Boards in the LGPS was also issued by the Scheme Advisory Board (SAB) in January 2015. Although this has not been designated as statutory guidance it should be acknowledged as best practice.~~

~~1.6 Knowledge and understanding of officers of the Fund will be monitored through the annual appraisal and monthly supervision meetings to ensure competency within specific job roles. For some roles the training delivered to Pension Fund Committee members and Local Pension Board members will be relevant to officers.~~

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2. Fund~~Strategy~~ Objectives

2.1 The Cambridgeshire Pension Fund objectives relating to knowledge and skills are to:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To 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.

- ~~Ensure the Cambridgeshire Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise;~~

- ~~Ensure the Cambridgeshire Pension Fund is effectively governed and administered; and~~

~~Ensure decisions are robust, are well founded and comply with regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Ministry of Housing Communities and Local Government.~~

~~Pension Fund Committee members require an understanding of:~~

~~Their responsibilities as delegated to them by Cambridgeshire County Council as an administering authority of an LGPS fund;~~

~~The fundamental requirements relating to pension fund investments;~~

~~The operation and administration of the Cambridgeshire Pension Fund;~~

~~Controlling and monitoring the funding level; and~~

~~Effective decisions in the management of the Cambridgeshire Pension Fund.~~

~~2.3 Local Pension Board members must be conversant with –~~

~~The relevant LGPS Regulations and any other regulations governing the LGPS;~~

~~Any document recording policy about the administration of the Cambridgeshire Pension Fund;~~

~~and have knowledge and understanding of:~~

~~The law relating to pensions; and~~

- ~~Such other matters as may be prescribed.~~

~~2.4 In addition to the Pension Fund Committee and Local Pension Board members, all those responsible for the management and administration of the LGPS will:~~

- ~~receive appropriate training to fill any knowledge gaps identified; and~~
- ~~seek to maintain their knowledge.~~

~~**3. How the strategy meets Cambridgeshire Pension Fund Objectives**~~

~~3.1 The strategy meets the following objectives of the Cambridgeshire Pension Fund as set out in the Business Plan and Medium Term Strategy –~~

- ~~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; and~~
- ~~Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate~~

~~4.~~3. Effective date

~~3~~4.1 This strategy was ~~taken to the Local Pension Board for comment on 18 October 2018 and was subsequently~~ approved by the Pension Fund Committee on 13 December 2018. This revised strategy was subsequently approved by the Pension Fund Committee on xx

~~5.~~ 4. Review

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4.1 ~~5.1~~ This strategy will be reviewed following the issuance of the new singular code of practice and following revised guidance resulting from the good governance review. Following that the strategy is expected to be appropriate for the long-term but it will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant. ~~This strategy is expected to be appropriate for the long-term but it will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.~~

~~6.~~5. CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

5~~6~~.1 CIPFA's Code of Practice, was first issued in 2013, and embeded~~s~~ the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

5~~6~~.2 The Code of Practice has been updated in 2021 and provides an overview of the standards that all CIPFA members must adhere to when administering and managing pension funds and benefits on behalf of employee's and scheme members. The code includes focus on the increasing need for knowledge and skills and ongoing maintenance of this knowledge. ~~The Cambridgeshire Pension Fund fully supports the intentions behind CIPFA's Code of Practice and has agreed to formally adopt its principles. This training strategy formally sets out the arrangements the Cambridgeshire Pension Fund will take in order to comply with the principles of the Code of Practice.~~

~~7.~~6. CIPFA Knowledge and Skills Framework ~~– Pension Fund Committees~~

6.1 In July 2021, CIPFA published its revised Knowledge and Skills Framework aimed at Pension Committee and Board members as well as senior officers. The contents of the framework have been updated with transparency in mind with particular emphasis on decision makers.

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6.2 The principles of the guide include the need for formal objectives, policies, practices and strategies concerning knowledge and skills of those responsible for the fund. Administering authorities must maintain effective, ongoing maintenance and development of knowledge, addressing gaps where required and increasing skills as appropriate.

6.3 The Knowledge and Skills Framework accompanies the updated Code of Practice on LGPS Knowledge and Skills.

6.4 Aon, the funds Governance Advisors have developed training that covers the following core CIPFA requirements:

- Pensions legislation and guidance and national guidance;
- Local governance and pensions procurement, contract management and relationship matters;
- Funding Strategy and actuarial methods, and financial, accounting and audit matters;
- Investments – Strategy, asset allocation, pooling performance and risk management;
- Investments – Financial markets and products;
- Pensions Administration and Communications.

~~7.1 In January 2010 CIPFA launched technical guidance for Elected Representatives on s101 Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework covers six areas of knowledge identified as the core requirements:~~

~~Pensions legislative and governance context;~~

~~Pension accounting and auditing standards;~~

- ~~Financial services procurement and relationship development;~~
- ~~Investment performance and risk management;~~
- ~~Financial markets and products knowledge; and~~
- ~~Actuarial methods, standards and practice.~~

~~7.2 The Knowledge and Skills Framework sets the skills required for those responsible for pension scheme financial management and decision making under each of the above areas in relation to understanding and awareness of regulations, workings and risk in managing LGPS funds.~~

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~~7.3 Although the CIPFA Knowledge and Skills Framework complements the Code of Practice that should be adopted by administering authorities there is no legal requirement for knowledge and understanding for members of an s101 Pension Committee. However the view of the Cambridgeshire Pension Fund is that members of the Pension Fund Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.~~

~~8. CIPFA Technical Knowledge and Skills Framework – Local Pension Boards~~

~~8.1 In August 2015 CIPFA extended the Knowledge and Skills Framework to specifically include members of Local Pension Boards, albeit there exists an overlap with the original Framework. The Framework identifies the following areas as being key to the understanding of local pension board members;~~

~~Pensions Legislation;~~

~~Public Sector Pensions Governance;~~

~~Pensions Administration;~~

~~Pensions Accounting and Auditing Standards;~~

~~Pensions Services Procurement and Relationship Management;~~

~~Investment Performance and Risk Management;~~

~~Financial markets and product knowledge;~~

~~Actuarial methods, standards and practices.~~

~~8.2 The role of the Local Pension Board is to assist the Scheme Manager i.e. the administering authority. To fulfil this role, Local Pension Board members should have sufficient knowledge and understanding to challenge failure to comply with regulations, any other legislation or professional advice relating to the governance and administration of the LGPS and/or statutory guidance or Codes of Practice.~~

~~8.3 Local Pension Board members should understand the regulatory structure of the LGPS and the documentary recording of policies around the administration of the Cambridgeshire Pension Fund in enough detail to know where they are relevant and where it will apply.~~

~~8.4 Local Pension Board members should commit sufficient time in their learning and development and be aware of their responsibilities immediately they take up their position. The Cambridgeshire Pension Fund will therefore provide induction information for all new Board members.~~

~~8.5 For the purpose of delivering the CIPFA Skills and Knowledge Framework the six modules of the Pension Fund Committee framework will be adopted.~~

~~8.~~7. ~~Guidance from t~~The Scheme Advisory Board – Good Governance Review

7~~9~~.1 Proposals as a result of the good governance review The Scheme Advisory Board has emphasised the need for increased governance around the management of skills and knowledge. The review has highlighted expectations for funds to proposed the following actions:

- To introduce a requirement in the Statutory Guidance to be issued by the Department for Levelling Up Housing and Communities (DLUHC) that for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- To introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
- For Administering authorities to publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
  For CIPFA and other relevant professional bodies to be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
- ~~The Scheme Advisory Board has taken note of the regulatory requirements and the principles of the Pension Regulator's Code of Practice and in January 2015 published Guidance for administering authorities to support them in establishing their Local Pension Board. The Guidance includes a section designed to help Local Pension Board members to understand their knowledge and understanding obligations.~~

  ~~9.2 Knowledge and understanding must be considered in the light of the role of a Local Pension Board and Cambridgeshire Pension Fund will make appropriate training available to assist and support members in undertaking their role.~~

~~9.~~8. The Pensions Regulator's E-learning toolkit

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8~~10~~.1 The Regulator has ~~developed~~ an on line tool designed to help those running public service schemes to understand the governance and administration requirements in the public service schemes Code of Practice. The toolkit is an easy to use resource and covers 7 compulsory short modules. These are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

In addition, a module on Pension Scams is available as an optional component. Although optional on the tool, it is the intention that Committee and Board members complete this module as it is deemed a fundamental part of the training programme.

8~~10~~.2 These modules are designed to apply to all public service schemes and are not LGPS specific. ~~The toolkit is designed specifically with Local Pension Board members in mind; however in the view of Cambridgeshire Pension Fund the material covered is of equal relevance to members of the Pension Fund Committee.~~

8~~10~~.3 Completion of the toolkit in conjunction with the CIPFA core competencies will provide Pension Committee and Local Pension Board members with a good grounding for their respective roles. Officers will issue details of these training modules as required ~~will not in itself provide Pension Fund Committee and Local Pension Board members with all the information they require to fulfil their knowledge and skills obligations. It does however provide a good grounding in some general areas and all members of both the Pension Fund Committee and Local Pension Board will be expected to complete the full 7 modules within 3 months of appointment.~~

~~11. The Pensions Regulator's 21st Century Trusteeship guidance~~

~~11.1 The Pensions Regulator has launched a programme to raise the standards of governance across all workplace pension schemes. The programme includes what arrangements need to be in place to support good decision making, as follows:~~

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~~Clear roles and responsibilities and clear strategic objectives~~
~~A skilled, engaged and diverse Committee and Board led by an effective chair~~
~~Close relationships with employers, advisors and others involved in running the scheme~~
~~Sound structures and processes focused on outcomes~~
~~A robust risk management framework focused on key risks.~~

~~11.2 The Cambridgeshire Pension Fund will work to the standards set by the Pensions Regulator and demonstrate compliance on a yearly basis through a report to both Pension Committee and Local Pension Board each December.~~

9~~12~~. Markets in Financial Instruments Directive II (MIFID II)

9~~12~~.1 The Cambridgeshire Pension Fund need to demonstrate a high level of skills and knowledge across the Committee and Board to enable the Fund to opt-up and be recognised as a~~n~~ professional investor rather than a retail investor to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund.

9~~12~~.2 Failure to adequately demonstrate a high level of collective skills and knowledge across the Pension Committee and Local Pension Board could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

~~12.3 As a result of this Directive a number of training opportunities as detailed in section 15 of this strategy have been made compulsory.~~

10~~3~~. Meeting the deliverables in the Annual Business Plan and Medium Term Strategy

10~~3~~.1 There will be times in when particular training will need to be delivered in order to assist the Pension Fund Committee and Local Pension Board in their roles in connection with the key deliverables as detailed in the Annual Business Plan and Medium Term Strategy.

10~~3~~.2 These deliverables include, but are not limited to, activity such as the review and approve the Funding Strategy Statement as part of the triennial Actuarial Valuation and Responsible Investing as part of the Investment Strategy Statement.~~,~~ Specific training in relation to these matters~~is activity~~ will be delivered at the appropriate times to ensure effective decisions are made.

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~~1~~14. Delivery of training

~~1~~14.1 The Cambridgeshire Pension Fund's Governance Advisors provides core training in the following areas. It is expected that all Committee and Board members and expects all members and senior LGPS officers to undertake the training as listed below:

- Introduction to the LGPS;
- Governance and Fiduciary Duty;
- Pensions Legislation and guidance and national guidance;
- Local governance and pensions procurement, contract management and relationship matters;
- Funding strategy and actuarial methods, and financial, accounting and audit matters;
- Investments – Strategy, asset allocation, pooling performance and risk management;
- Investments – Financial markets and products.

11.2 The completion of the Pensions Regulator e-learning programme is also a compulsory requirement of the Training Strategy.

11.3 Officers will ensure that refresher training is offered to all members at regular intervals.

11.4 In addition to the compulsory training above, the following training is also encouraged - ~~Consideration will be given to various training resources available in delivering training to the Pension Fund Committee and Local Pension Board members. These may include but are not restricted to:~~

- In-house and shared training events with Northamptonshire Pension Fund where it improves economy, efficiency and effectiveness
- Self-improvement and familiarisation with regulations and documents
- ~~The Pension Regulator's e-learning programme~~
- Attending relevant courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Shared training with other F~~f~~unds or Asset Pools~~frameworks~~
- Regular updates from officers and/or advisers
- Circulated reading material

~~15. Training credits~~

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~~15.1 As a measure of training given or knowledge level, Pension Fund Committee and Local Pension Board members are desired to have a minimum level of training credits. Credits will be awarded in recognition of attendance at training event or for attendance at relevant industry events or seminars. This approach recognises that members of the Pension Fund Committee and Local Pension Board may have different learning styles, while at the same time requiring that an appropriate core level of knowledge is attained.~~

~~15.2 Members of the Pension Fund Committee and the Local Pension Board will each be expected to accumulate 18 credits over a rolling 2 year period.~~

~~15.3 Credits can be obtained in any combination but the credit level has been set at a level which will require commitment to and attendance at internal and external training events. Credits will be measured and monitored by LGSS Pensions in conjunction with the Chairman/Chairwoman of the Pension Fund Committee or Board over rolling 2-year period.~~

~~15.4 It is acknowledged that where an individual is new to the role there will be a lead-in period before the member will be expected to demonstrate the full range of knowledge and skills. New members will be encouraged to familiarise themselves with the Fund and their roles and responsibilities within 3 months of appointment~~

~~15.5 Credits will be awarded in accordance with the following guide:~~

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~~Method of attaining credit~~	~~Number of credits awarded (valid for 2 years)~~
~~Completion of a single module of the Pensions Regulators e-learning toolkit. There are 7 modules in total – **compulsory.**~~	~~1 credit per module passed.~~
~~Completion of a module of the CIPFA Knowledge and Skills Framework – **compulsory.**~~	~~2 credits per module passed (up to a maximum of 4 credits per event).~~
~~Successful completion a self-assessment on the CIPFA Competencies – **compulsory.**~~	~~2 credits.~~
~~Induction reading (within 3 months of appointment) – **compulsory**~~	~~2 credits.~~
~~Attendance at the Pension Fund Committee or Pension Board meeting where a training item is delivered.~~	~~0.5 credit per item.~~
~~Attendance at an approved conference, seminar or external training event~~	~~2 credit for a full day's attendance1 credit for a half day's attendance (up to a maximum of 4 credits per event).~~
~~All other relevant training~~	~~1 credit – member to inform officers of training undertaken.~~
~~Training provided/organised by the LGSS Pensions Service~~	~~1 - 4 credits as deemed appropriate by Officers dependent upon the content and length of training provided.~~

~~15.6 A list of training events will be updated regularly and will monitored to ensure all training recommended to members remains relevant. It is recognised that a rigid training plan can frustrate knowledge attainment when too inflexible and therefore a range of learning opportunities will therefore be offered to deliver the appropriate level of detail required.~~

~~15.7 After attendance at an internal or external event, Pension Fund Committee and Local Pension Board members will be expected to provide feedback either via a relevant meeting or a feedback form which will be issued by officers covering the following points:~~

~~Their view on the value of the event and the merit, if any, of attendance;~~

~~A summary of the key learning points gained from attending the event; and~~

~~Recommendations of any subject matters at the event in relation to which training would be beneficial to other Pension Fund Committee or Local Pension Board members.~~

126. How tTraining will be monitored~~records~~

126.1 Detail of Pension Committee and Board member training that is undertaken will be noted will be recorded and provided to the Chair on an annual basis. Any individual member that has not completed the core training will be encouraged to do so. The Chair will have discretion regarding appropriate action if an individual member does not undertake the minimum requirements. ~~A training record will be sent to members at the end of each 6 month period to ensure members are able to keep a personal record of training undertaken and to monitor the credits they have attained.~~

~~16.2 To be effective, training must be recognised as a continual process and will be centred on 3 key points~~

~~The individual;~~

~~The general pensions environment;~~

~~Coping with change and hot topics.~~

137. Measurement

137.1 In order to identify whether the objectives of this strategy are being met, officers will: ~~we are meeting the objectives of this strategy we will:~~

1) Monitor the attendance of training on a regular basis;
2) Ensure the introductory training is offered shortly after appointment and promote it being undertaken promptly;
3) Actively encourage individual's members to complete core training within 6 months of appointment
4) Monitor the attendance at meetings where training items are being delivered
5) Manage areas where individuals feel additional support is required.

~~1) Compare and report on attendance at training based on the following –~~

~~Individual Training Needs – ensuring training on the key elements takes place for each individual at least once every 2 years.~~

~~Risk Based Training – attendance by at least 80% of the required Pension Fund Committee and Local Pension Board members at planned core training.~~

~~Induction reading/training needs analysis assessment carried out upon appointment and reviewed after 2 years to ensure all areas have been addressed.~~

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~~2) Participate in the following each year –~~

~~Carry out a review of our governance arrangements.~~

~~Manage the completion of effectiveness reviews by both Pension Fund Committee and Local Pension Board members~~

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14~~8~~. Maintaining knowledge

14~~8~~.1 In addition to undertaking ongoing training on the CIPFA skills and knowledge requirements, members are expected to maintain their knowledge of ongoing development through attendance at internal/external events and seminars where appropriate.

14~~8~~.2 Appropriate attendance at events for representatives of the Pension Fund Board and Pension Fund Committee will be determined by Officers of the Fund.

14~~8~~.3 Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision it to be made in the near future.

15~~9~~. Risk Management

15~~9~~.1 The risks associated with the delivery of a successful training strategy is as follows:

Risk	Mitigation
Frequent changes in membership of the Pension Fund Committee or Pension Board	~~Training Strategy in operation and reviewed regularly, new starter information provided to all new members which includes links to key documents etc.~~ Training Strategy in operation and reviewed regularly, core training to be undertaken within 6 months of appointment with supplementary training undertaken when available.
Poor individual commitment	Attendance and training is monitored by officers of the Fund and the Chairman/Chairwoman of the Committee/Board. Attendance is reported in the Fund's Annual Report and Statement of Accounts and the Committee and Board Reports are presented to Full Council~~.~~ Both lack of attendance and lack of training is addressed with the individual when deemed appropriate.

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Risk	Mitigation
Resources not being available	~~A wide variety of training~~Additional training opportunities will be highlighted to the Committee and Board via the Governance and Compliance Report. ~~are offered to Committee and Board members via the Governance and Compliance Report.~~
Poor standards of training	Where appropriate external advisors who are experts in their field deliver training to cover the CIPFA skills and knowledge framework. Other in house training is delivered by officers with specific knowledge in a particular area. External courses are vetted to ensure they are relevant before being added to the list of courses available. Feedback is sought after events are attended.

15~~9~~.2 The risks will be monitored within the scope of the training strategy and the risk register will be amended where appropriate.

16~~20~~. Reporting

16~~20~~.1 Training events will be highlighted at every meeting as part of the Governance and Compliance Report, members are expected to make officers aware of any events that are of interest. Core training is expected to be taken up in the first instance as it has been specifically designed to cover the CIPFA core competencies and is therefore compulsory.

16.2 The Chair of the Pension Fund Committee and Local Pension Board will be provided with attendance at meetings and training undertaken during the year. provided with the credits that have been attained by each member and the collective over view of training of the Pension Fund Committee and Board.

16.2 Training undertaken by members will be published in the relevant annual reports. ~~On a yearly basis the Chairman/Chairwoman of the Pension Fund Committee and Local Pension Board will be provided with the credits that have been attained by each member and the collective over view of training of the Pension Fund Committee and Board.~~

~~20.2 Any members who have not attained at least 70% of the required credits will be highlighted to the Chairman/Chairwoman or the Vice Chairman/Woman where appropriate for action (for new members this will be proportioned). In the first instance this will be a conversation with the member to establish if there are any circumstances prohibiting them to attain credits at the appropriate rate, an element of discretion from the Chairman/Chairwoman can be applied in these circumstances. If no adequate reason provided for lack of credits a plan of action will be agreed upon, if not agreed the Chairman/Chairwoman in conjunction with the Head of Pensions can agree a further sanction.~~

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~~20.3 Training events will be highlighted at every meeting as part of the Governance and Compliance Report, members are expected to make officers aware of any events that are of interest. Core training is expected to be taken up in the first instance as it has been specifically designed to cover the CIPFA core competencies and is therefore compulsory.~~

~~2~~17. Costs

17~~21~~.1 All training costs relating to this training strategy are met by Cambridgeshire Pension Fund.

Cambridgeshire
Pension Fund

Training Strategy

2021

West Northamptonshire Council | Cambridgeshire County Council

Administered in partnership

1. Introduction

1.1 This is the training strategy for the Cambridgeshire Pension Fund.

1.2 The training strategy is established to aid members of the Pensions Committee and Local Pension Board as well as Fund Officers and the Section 151 Officer in performing and developing in their roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities. Local Government Pension Scheme (LGPS) Funds are expected to follow the CIPFA Knowledge and Skills Framework.

1.3 The objective of CIPFA's Knowledge and Skills Framework is to determine and set out the knowledge and skills sufficient to enable the effective analysis and challenge of decisions made by Officers and advisers to the Fund.

1.4 This Training Strategy takes into consideration the requirements of the pending Scheme Advisory Board Good Governance Review, the Pensions Regulator's Code of Practice and the Markets in Financial Instruments Directive (MiFID II) in addition to the requirements of the CIPFA Knowledge and Skills Framework requirements to ensure it encompasses best practice.

2. Fund Objectives

2.1 The Cambridgeshire Pension Fund objectives relating to knowledge and skills are to:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To 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.

3. Effective date

3.1 This strategy was approved by the Pension Fund Committee on 13 December 2018. This revised strategy was subsequently approved by the Pension Fund Committee on xx

4. Review

4.1 This strategy will be reviewed following the issuance of the new singular code of practice and following revised guidance resulting from the good governance review. Following that the strategy is expected to be appropriate for the long-term but it will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

5. CIPFA's Code of Practice on Public Sector Pensions Finance, Knowledge and Skills (the "Code of Practice")

5.1 CIPFA's Code of Practice, was first issued in 2013, and embedded the requirements for the adequacy, acquisition, retention and maintenance of appropriate knowledge and skills required. It recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework in its knowledge and skills statement;
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

5.2 The Code of Practice has been updated in 2021 and provides an overview of the standards that all CIPFA members must adhere to when administering and managing pension funds and benefits on behalf of employee's and scheme members. The code includes focus on the increasing need for knowledge and skills and ongoing maintenance of this knowledge.

6. CIPFA Knowledge and Skills Framework

6.1 In July 2021, CIPFA published its revised Knowledge and Skills Framework aimed at Pension Committee and Board members as well as senior officers. The contents of the framework have been updated with transparency in mind with particular emphasis on decision makers.

6.2 The principles of the guide include the need for formal objectives, policies, practices and strategies concerning knowledge and skills of those responsible for the fund. Administering authorities must maintain effective, ongoing maintenance and development of knowledge, addressing gaps where required and increasing skills as appropriate.

6.3 The Knowledge and Skills Framework accompanies the updated Code of Practice on LGPS Knowledge and Skills.

6.4 Aon, the funds Governance Advisors have developed training that covers the following core CIPFA requirements:

- Pensions legislation and guidance and national guidance;
- Local governance and pensions procurement, contract management and relationship matters;
- Funding Strategy and actuarial methods, and financial, accounting and audit matters;
- Investments – Strategy, asset allocation, pooling performance and risk management;
- Investments – Financial markets and products;
- Pensions Administration and Communications.

7. The Scheme Advisory Board – Good Governance Review

7.1 Proposals as a result of the good governance review The Scheme Advisory Board has emphasised the need for increased governance around the management of skills and knowledge. The review has highlighted expectations for funds to proposed the following actions:

- To introduce a requirement in the Statutory Guidance to be issued by the Department for Levelling Up Housing and Communities (DLUHC) that for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- To introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
- For Administering authorities to publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
  For CIPFA and other relevant professional bodies to be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

8. The Pensions Regulator's E-learning toolkit

8.1 The Regulator has an on line tool designed to help those running public service schemes to understand the governance and administration requirements in the public service schemes Code of Practice. The toolkit is an easy to use resource and covers 7 compulsory short modules. These are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

8.2 In addition, a module on Pension Scams is available as an optional component. Although optional on the tool, it is the intention that Committee and Board members complete this module as it is deemed a fundamental part of the training programme.

8.3 These modules are designed to apply to all public service schemes and are not LGPS specific.

8.4 Completion of the toolkit in conjunction with the CIPFA core competencies will provide Pension Committee and Local Pension Board members with a good grounding for their respective roles. Officers will issue details of these training modules as required

9. Markets in Financial Instruments Directive II (MIFID II)

9.1 The Cambridgeshire Pension Fund need to demonstrate a high level of skills and knowledge across the Committee and Board to enable the Fund to opt-up and be recognised as a professional investor rather than a retail investor to continue to receive advice and access to investment products at a level commensurate with the types of investment required for the Fund.

9.2 Failure to adequately demonstrate a high level of collective skills and knowledge across the Pension Committee and Local Pension Board could result in the loss of professional investor status and therefore access to the appropriate investment opportunities.

10. Meeting the deliverables in the Annual Business Plan and Medium Term Strategy

10.1 There will be times in when particular training will need to be delivered in order to assist the Pension Fund Committee and Local Pension Board in their roles in connection with the key deliverables as detailed in the Annual Business Plan and Medium Term Strategy.

10.2 These deliverables include, but are not limited to, activity such as the review and approve the Funding Strategy Statement as part of the triennial Actuarial Valuation and Responsible Investing as part of the Investment Strategy Statement. Specific training in relation to these matters will be delivered at the appropriate times to ensure effective decisions are made.

11. Delivery of training

11.1 The Cambridgeshire Pension Fund's Governance Advisors provides core training in the following areas. It is expected that all Committee and Board members and expects all members and senior LGPS officers to undertake the training as listed below:

- Introduction to the LGPS;
- Governance and Fiduciary Duty;
- Pensions Legislation and guidance and national guidance;
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- Funding strategy and actuarial methods, and financial, accounting and audit matters;
- Investments – Strategy, asset allocation, pooling performance and risk management;
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11.2 The completion of the Pensions Regulator e-learning programme is also a compulsory requirement of the Training Strategy.

11.3 Officers will ensure that refresher training is offered to all members at regular intervals.

11.4 In addition to the compulsory training above, the following training is also encouraged -

- In-house and shared training events with Northamptonshire Pension Fund where it improves economy, efficiency and effectiveness
- Self-improvement and familiarisation with regulations and documents

- Attending relevant courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Shared training with other Funds or Asset Pools
- Regular updates from officers and/or advisers
- Circulated reading material

12. How training will be monitored

12.1 Detail of Pension Committee and Board member training that is undertaken will be noted will be recorded and provided to the Chair on an annual basis. Any individual member that has not completed the core training will be encouraged to do so. The Chair will have discretion regarding appropriate action if an individual member does not undertake the minimum requirements.

13. Measurement

13.1 In order to identify whether the objectives of this strategy are being met, officers will:

1) Monitor the attendance of training on a regular basis;
2) Ensure the introductory training is offered shortly after appointment and promote it being undertaken promptly;
3) Actively encourage individual's members to complete core training within 6 months of appointment
4) Monitor the attendance at meetings where training items are being delivered
5) Manage areas where individuals feel additional support is required.

14. Maintaining knowledge

14.1 In addition to undertaking ongoing training on the CIPFA skills and knowledge requirements, members are expected to maintain their knowledge of ongoing development through attendance at internal/external events and seminars where appropriate.

14.2 Appropriate attendance at events for representatives of the Pension Fund Board and Pension Fund Committee will be determined by Officers of the Fund.

14.3 Owing to the changing world of pensions, it will also be necessary to have ad hoc training on emerging issues or on a specific subject on which a decision it to be made in the near future.

15. Risk Management

15.1 The risks associated with the delivery of a successful training strategy is as follows:

Risk	Mitigation
Frequent changes in membership of the Pension Fund Committee or Pension Board	Training Strategy in operation and reviewed regularly, core training to be undertaken within 6 months of appointment with supplementary training undertaken when available.
Poor individual commitment	Attendance and training is monitored by officers of the Fund and the Chairman/Chairwoman of the Committee/Board. Attendance is reported in the Fund's Annual Report and Statement of Accounts and the Committee and Board Reports are presented to Full Council Both lack of attendance and lack of training is addressed with the individual when deemed appropriate.
Resources not being available	Additional training opportunities will be highlighted to the Committee and Board via the Governance and Compliance Report.
Poor standards of training	Where appropriate external advisors who are experts in their field deliver training to cover the CIPFA skills and knowledge framework. Other in house training is delivered by officers with specific knowledge in a particular area. External courses are vetted to ensure they are relevant before being added to the list of courses available. Feedback is sought after events are attended.

15.2 The risks will be monitored within the scope of the training strategy and the risk register will be amended where appropriate.

16. Reporting

16.1 Training events will be highlighted at every meeting as part of the Governance and Compliance Report, members are expected to make officers aware of any events that are of interest. Core training is expected to be taken up in the first instance as it has been specifically designed to cover the CIPFA core competencies and is therefore compulsory.

16.2 The Chair of the Pension Fund Committee and Local Pension Board will be provided with attendance at meetings and training undertaken during the year. provided with the credits that have been attained by each member and the collective over view of training of the Pension Fund Committee and Board.

16.2 Training undertaken by members will be published in the relevant annual reports.

17. Costs

17.1 All training costs relating to this training strategy are met by Cambridgeshire Pension Fund.