



CAMBRIDGESHIRE PENSION FUND BOARD

Date: Wednesday, 26 October 2016

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

Shire Hall

Castle Hill

Cambridge

CB3 0AP

10:00hr

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

- | | | |
|----------|--|----------------|
| 1 | Election of Chairman | |
| 2 | Election of Vice-Chairman | |
| 3 | Apologies for Absence | |
| 4 | Declarations of Interest | |
| | <i>Guidance for Councillors on declaring interests is available at</i> | |
| | <i>http://tinyurl.com/ccc-dec-of-interests</i> | |
| 5 | Minutes & Action Log - 22nd July 2016 | 3 - 12 |
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9	Local Pension Fund Board Work Plan	39 - 40

The Cambridgeshire Pension Fund Board comprises the following members:

Councillor Mac McGuire (Chairman) Mr Barry O'Sullivan (Vice-Chairman)

Mr David Brooks Mr Ian Dewar and Mr John Stokes and Councillor Lucy Nethsingha

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

Clerk Name: Daniel Snowdon

Clerk Telephone: 01223 699177

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MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 22nd July 2016

Members of the Board in attendance:

Employers – Councillor L Nethsingha

Scheme Members in attendance:

B O'Sullivan (Vice Chairman, in the chair), D Brooks and J Stokes

Officers in attendance:

M Oakensen – Governance Officer

M Rowe – Democratic Services Manager

J Walton – Governance and Regulations Manager

M Whitby – Head of Pensions

R Yule – Democratic Services Officer

Time: 10.00am to 12.10pm

Place: Shire Hall, Cambridge

Action

38. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies were received from Councillor McGuire. In his absence, the Vice-Chairman, Barry O'Sullivan, took the chair.

39. MINUTES & ACTION LOG – 28TH APRIL 2016

The minutes of the meeting of 28th April 2016 were approved as a correct record and signed by the Vice-Chairman.

Matters raised from the Action Log included:

- Task and Finish Group regarding the ACCESS pool: Board members were advised that the Group had not met since the Board's last meeting, though further meetings were being planned.
- Past actions should be removed from the log once completed.
- Future appointments to the Board: the Democratic Services Manager undertook to talk to the Monitoring Officer again, as the Board had expressed a wish that all Board members, or at least the Chair and Vice-Chair, see all applications.

MR/DS

MR

40. CAMBRIDGESHIRE PENSION FUND ADMINISTRATION PERFORMANCE REPORT

The Board received the Administration Performance Report focussing on the work undertaken regarding the administration of the Pension Scheme.

During discussion Board members:

- Were advised that employers had provided year-end data more quickly in 2016 than in 2015.
- Sought more information about the relationship between size of employer and whether the employer met the key performance indicators (KPIs) for scheme employer performance, commenting that one might expect larger employers to have less difficulty meeting the KPIs than smaller employers, and that the Board might be more concerned if a large employer, rather than a small one, was failing to meet targets. The Governance and Regulations Manager undertook to find the information requested.
- Enquired about measures to keep in touch with deferred members. Officers advised that efforts were made to establish contact at the point where benefit was about to become due; the question of how tracing was being done and whether it was adequate was already being examined. The intention was to move to electronic distribution for deferred members; once they had access to member self-service, it should be easier for them to keep their own details up to date.

JW

It was resolved to note the Administration Performance Report.

41. CAMBRIDGESHIRE PENSION FUND – DRAFT RISK REGISTER

The Board received the Draft Risk Register for consideration. Looking at the Register, Board members noted that the objective column referred to the objectives agreed by the Pension Fund Committee, and the Board's advice was being sought on risks and ratings assigned to them.

Board members welcomed the register, and in the course of discussion:

- Commented that in many cases, the 'gross likelihood' of a risk was shown as 3, which seemed quite high, and did not perhaps reflect the variation in likelihood between different risks. For example, Risk 1 (failure to administer the scheme in line with regulations and policies) was not very likely, because of the competence of the team, though the likelihood might vary over time, for example increasing if a large number of new regulations were to be introduced simultaneously.
- Noted that the register had been drawn up for the Cambridgeshire and the Northamptonshire funds, and that officers had looked at how other funds had drawn up their registers. However, the numerical ratings had been drawn up specifically for the Cambridgeshire fund.

- In relation to Risk 54 (Pension Fund systems and data may not be secure and appropriately maintained), asked about the complexity of passwords and how often they were changed. Officers said that the various systems used had different rules; the Altair system for example had two levels of access, and required any new password to be more than a minor variation on the previous one. Board members queried whether the risk was scored too highly.
- Noted that the register was a living document, and that risks would be added as they presented themselves.
- Asked about the impact of the decision to leave the European Union. Officers advised that this was covered by Risk 25 (Failure to react to major change in market/economic conditions), and that any changes in legislation governing pension funds would have to go through statutory processes, so would not be introduced without some warning.
- Suggested that Risk 19 (Contributions to the Fund are not received on the correct date and for the correct amount) and Risk 39 (Lack of understanding of employer responsibilities which could result in a statutory deadline being missed) might be slightly overrated; failure to meet deadlines would not normally have a great impact on the fund's beneficiaries. Officers explained that data was needed from all employers, large and small, and it could create difficulties if the data was not available, as well as posing a risk of reputational damage.
- Commented that, as with the discussion on the Administration Performance Report, the risk was less if the larger employers were paying on time.
- Expressed the view that, given the current state of the markets, a residual total of 16 for Risk 34 (Market yields move at variance with actuarial assumptions etc.) was probably about right. Board members were assured that even if there were to be a market failure, the fund would have sufficient resources to continue to pay the pensions while the market recovered.

It was resolved to make the comments and recommendations on the Draft Risk Register set out above.

42. CAMBRIDGESHIRE PENSION FUND – VALUATION REPORT

The Board received a report setting out an overview of the timeline of key valuation activities and progress made to date, provided in response to members' request to be kept up to date with progress on the triennial valuation of the Pension Fund.

Board members noted that there would be a training session for Pension Fund Committee members immediately before its October meeting, in addition to previous sessions on evaluation and on the main assumptions, and suggested that they should attend the October session too. The Governance and Regulations Manager undertook to circulate the slides from the earlier training sessions to Board members.

JW

Board members also asked for dates of forthcoming Pensions Fund Committee

meetings. The Democratic Services Manager undertook to supply these.

It was resolved to note the valuation plan.

43. THE PENSIONS OMBUDSMAN SERVICE – PAYMENT OF DEATH GRANT

The Board received information on a Local Government Pension Scheme Ombudsman case study. This was supplied to enable members to build their skills and knowledge in order to undertake their role effectively.

The complaint had been that the death benefit payable from the LGPS had been subject to a 40% tax charge because the benefit had not been paid within two years of death. The complaint had been upheld.

The case had drawn officers' attention to the importance of dealing with death grants properly and promptly, and supplying information even if there was no requirement to do so. In future, Pension Fund officers would be informing potential beneficiaries of the two-year time limit; the rate of tax charged on death benefits paid after two years had risen to 45% from April 2016.

Board members commented on the difficulties faced by families in the aftermath of a death, and noted that the case in question represented a very specific set of circumstances. Before complaints went to the Ombudsman, they would usually go through an internal complaints procedure, during which there might be an opportunity to reach a local settlement, though once the complaint was lodged with the Ombudsman, it was for the Ombudsman to determine it.

It was resolved to note the content of the case study.

44. ONE YEAR ON SEMINAR FEEDBACK

The Vice-Chairman reported on the Local Pension Board Conference held for Chairs and Vice-Chairs of pension fund boards. It had been timed for the first anniversary of the creation of local pension boards and was designed as an opportunity for the members of local boards to share experiences of the first year and to look ahead to the next year.

The first speaker, from the Pensions Regulator, had pointed out that there was insufficient information available for scheme members to find out about the role of pension fund boards, and that only 53% of funds had procedures in place to report breaches. Officers advised that locally, there was a policy on reporting breaches, and that efforts had been made to publicise the role of the Board, via website, payslips and the annual report.

A speaker from the Government Actuary's Department (GAD) had talked about section 13, a review to get an overview of the 91 separate funds. He had pointed out that LGPS was one of the top ten pension funds in the world.

A speaker from the DCLG had said that there was a great variation how different pension fund boards were set up; it was possible that new government guidance on the boards would be issued. He also reported that there had been

a High Court ruling that a Fund could not be prevented from boycotting a particular area of investment.

At the conference, there had been some discussion of indemnity insurance for Board members. The Democratic Services Manager reported that locally it had been assumed that Board members would be covered by the County Council's insurance, but this appeared not to be the case. The LGSS Insurance and Risk Manager was investigating the insurance position; the Democratic Services Manager undertook to see that this was followed up, as it was important that individual Board members be covered by insurance.

MR

Summing up, the Vice-Chairman said that the conference had been very interesting, and had provided a good opportunity to meet and discuss with other pension fund board members from across the country.

45. ASSET POOLING

The Board received a presentation from the Head of Pensions on the proposed arrangements for pooling assets that had been submitted in July 2016. He undertook to supply an updated version of the slide pack for circulation to Board members.

MW/MR

Discussing the presentation, Board members:

- Expressed a wish to see some form of scheme member representation in the governance structure. The Head of Pensions advised that, although as far as he knew this was not currently envisaged, there was a national movement for member involvement. An investment manager could still come and speak directly to the Pension Fund Committee or Sub-Committee, so there would be an element of scrutiny through the Committee, but work was being undertaken at national level to obtain a response on member representation.
- Enquired about cost transparency. Board members were advised that the position was becoming clearer; there were specific investment manager fees, but 'net of fees' was often quoted, and investigation was continuing.
- Noted that each local fund would be able to decide the amount it wanted to invest in infrastructure; the ambition of ACCESS (a collaboration of central, eastern and southern shires) was set out on the final slide.

PROCEDURAL NOTE: Councillor Nethsingha left the room towards the end of the Asset Pooling item, and the meeting thus became inquorate. Although not able to make any decisions as a Board, the remaining members took the view that it would be better to continue rather than adjourn to another day, because the only remaining items of business were for information rather than decision.

46. CURRENT AGENDA PLAN

Reviewing the agenda plan, those present requested that an item on asset pooling be added to the October agenda.

DS/R

47. EXCLUSION OF PRESS AND PUBLIC

It was agreed to exclude the press and public from the room for the following item of business on the grounds that it contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed (information relating to the financial affairs of any particular person (including the authority holding that information)).

48. CAMBRIDGESHIRE PENSION COMMITTEE EXECUTIVE SUMMARY – JULY 2016

Board members considered a report setting out an executive summary of specific agenda items discussed at the July 2016 Pension Committee meeting; minutes of the meeting were available on the Council's website.

The report had been classified as confidential because it contained information about the affairs of two specific employers. The Democratic Services Manager undertook to look into ways of avoiding a similar need to classify a report as confidential in future.

MR

Chairman

Introduction:

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

This is the updated action log as at 4th February 2016.

Minute No.	Report Title	Action to be taken by	Action	Comments	Completed /Ongoing
Minutes of 21st October 2015					
12.	Cambridgeshire Local Pension Board – Terms of Reference, Standing Orders & Code of Conduct.	M Rowe/D Snowdon	The Board to consider the outcome of the Local Government Scheme Advisory Board review of the newly formed Local Pensions Boards.		Ongoing.
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/M Whitby	High level quarterly update report to be circulated to Board members		Ongoing.

14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/M Whitby	Further details of the unit cost per member would be circulated to the Board at a later date.		Ongoing.
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/M Whitby	Due to the confusion of the name used by Enterprise Management Services it was agreed to bracket the new name alongside the old name and report to Board members whether the old name should be retained.		Ongoing.
14.	Cambridgeshire Pension Fund Annual Report and Statement of Accounts 2014-15	J Walton/M Whitby	The Board agreed to investigate why there were variations in investment manager fees.		Ongoing.
22.	Procedure for Future Appointments to the Local Pensions Board.	M Rowe/J Walton	The Board highlighted the importance of communications and requested the Pension website be placed on payslips as part of the ongoing development work regarding the Payroll system		Ongoing.
22.	Procedure for Future Appointments to the Local Pensions Board.	J Walton/M Oakensen	The Board suggested an introductory presentation be developed for potential future Board Members.		Ongoing.
22.	Procedure for Future Appointments to the Local Pensions Board.	M Rowe/J Walton	It was agreed for advice to be sought on the appointment process for other members from the Local Government Pension Scheme (LGPS) Advisory Board		Ongoing.

			and the Council's Monitoring Officer		
27.	Agenda Plan	J Walton/ M Whitby	Board members also queried when a report would be produced on the progress of the Cambridgeshire Bank. Officers agreed to update Board members on when a report was likely to be produced.		Ongoing.
Minutes of 28th April 2016					
29.	Asset Pooling in the Local Government Pension Scheme	J Walton/M Whitby	It was confirmed that a progress report would be presented to the February meeting of the Pension Committee and the Local Pension Fund Board would provide an overview and scrutiny function to the process.		Ongoing.
29.	Asset Pooling in the Local Government Pension Scheme	J Walton/M Whitby	Board members were informed that professional advice regarding the formation of the Pool was being sought and it was agreed for it to be circulated to Board members		Ongoing.
Minutes of 22nd July 2016					
44.	One Year on Seminar Feedback	M Rowe	The LGSS Insurance and Risk Manager was investigating the insurance position; the Democratic Services Manager undertook to see that this was followed up, as it was important that individual Board members be covered by insurance.		Ongoing.

45.	Asset Pooling	M Whitby/M Rowe	Updated slide pack to be circulated to Board Members		Completed
46.	Agenda Plan	D Snowdon	Asset Pooling be Added to October Agenda		Completed

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 26 October 2016

Report by: Head of Pensions

Subject:	Agenda items from 29 July Pension Committee meeting.
Purpose of the Report	To provide the Pension Fund Board with an executive summary of specific agenda items discussed at the July 2016 annual Pension Committee meeting.
Recommendations	That the Pension Fund Board note the contents of this report.
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 This report is an executive summary of the items discussed at the July 2016 meeting of the Pension Committee which are not addressed through other reports to the Pension Fund Board at this meeting.
- 1.2 The agenda items which are covered in this report are:
 - Draft Annual Report and Statement of Accounts 2015/16 – section 2
 - WM State Street Global Services Annual Performance Review – section 3
- 1.3 The full reports can be found at the link detailed in section 11 of this report.

2. Draft Annual Report and Statement of Accounts 2015/16

- 2.1 The following sections summarise the information relating to the Draft Annual Report and Statement of Accounts 2015/16

2.2 Context

- 2.2.1 The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts. These are audited by the County Council's new external auditor BDO. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the fund within it) and that the SOA is free from material misstatement.
- 2.2.2 The Fund's Annual Report and SOA have been subject to audit fieldwork by the County Council's external auditor. Whilst BDO perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance

and consistency with the SOA. BDO's initial findings are noted in paragraph, 3 below.

- 2.2.3 The annual accounts are a true and view of the financial activities of the Fund for the financial year 1 April 2015 to 31 March 2016.
- 2.2.4 They are based on transactions accounted for within the Fund's financial ledger, information received from Fund Managers and the Fund's Custodian, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 2.2.5 The structure and content of the Annual Report is governed by guidance issued by CIPFA in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013. There have been no changes in the requirements this year.
- 2.2.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a set of pro forma accounts to illustrate the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. There has been no material change to this pro forma in completing the 2015-16 Statement of Accounts.
- 2.2.7 The CIPFA template has been used as a framework for the Pension Fund Accounts to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 2.2.8 The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible. The Annual Report together with the Statement of Accounts will be presented to the Pension Fund Committee in October 2016.

2.3 Summary of Report

- 2.3.1 This section discusses the movement between March 2015 and March 2016 in the Statement of Accounts, covering both financial and service activity variances. The Fund Account and the Net Asset Statement provide a summary of the key financial aspects with the notes to the accounts providing more depth and non-financial activities to add perspective and comparative balances. See appendix 1.
- 2.3.2 There are two aspects to Pension Accounting statements, being the Fund "member" activity and secondly Investments, combined they form the Pension Fund Account. The 2016 financial year shows a surplus on member activity of £29.9m, offset by negative Investment activity of £28.5m and Management expenses of £8.8m, resulting in a net decrease in the "assets available for benefits during the year" of £7.4m.
- 2.3.3 When comparing the Fund Account for the year to 31 March 2015 to the year to 31 March 2016 there is a negative swing of £233m in total, mainly reflecting the change in investment activity between the two financial years. The one year investment return as at March 2015 was a positive 12.2% showing a market net return of £252m, whilst the comparative return figure for March 2016 was a negative 1.9% return showing a market reduction of £60m, a combined swing of £281m. This included a reduction in investment income of £4.1m following changes of Fund manager during the financial year. The Fund return of minus 1.9% in the year, is below benchmark

return of 0.2% and the Local Authority Average of 0.2%. Please note Investment performance is discussed further within the annual report. (Pages 36-37 in the Annual Report).

- 2.3.4 On the membership side income has increased, reflecting valuation increases on employer rates, pay rises for members, boosted by increases in membership of nearly 1,400. The most significant swing relates to payments on account of leavers, where in 2014-15 Probation Services transferred out to Greater Manchester (£33m).
- 2.3.5 Benefit payments in 2015-16 of £92.4m show a slight increase of £0.5m over the 2014-15 benefit payments of £91.9m, being a combination of an increase Pension Payments (£1.7m) offset by a reduction in lump sum payments (-£1.3m). The Pension payments increase reflected the increase in membership (511) and was not as high as in previous years due to the low inflation pension award. Interestingly Lump sum payment movements between March 2015 and March 2016 show a reduction within the statutory pre 2008 set lump sums offset by a small increase in the post 2008 discretionary lump sums, this suggests retirees are not maximising their lump sum options. This may be significant for projecting future year costs.
- 2.3.6 The number of employers in the Fund continues to grow with an increase in active employers by 24 to 243 at 31 March 2016 primarily as a result of schools converting to Academies, continuing the recent trend.
- 2.3.7 Membership activity shows an increase of 1,399 active members, 511 pensioners and 2,634 deferred members.

2.4 Findings and Feedback from External Audit Fieldwork.

- 2.4.1 BDO have commenced their audit fieldwork of the Pension Fund Statement of Accounts but have not yet concluded their work.
- 2.4.2 There are some outstanding items of audit field work to be undertaken, mainly detailed testing on Funding Account items on contributions and benefits.
- 2.4.3 In addition BDO have not yet concluded on the valuation of £43m of the investment in Cambridge & Counties Bank prepared by of the third party valuer.
- 2.4.4 **Prior year recommendations** confirmation that prior year recommendations have been met has not yet been received, due to the ongoing audit work, nor have BDO have drafted their formal audit findings for the current year in the ISA260 "Those charged with Governance document".
- 2.4.5 As a result of initial feedback from BDO and our own internal review the changes in appendix 1 are proposed to the Statement of Accounts:

3. WM State Street Global Services Annual Performance Review

3.1.1 The following sections summarise the information contained within the WM State Street Global Services Annual Performance Review.

3.2 Context

- 3.2.1 The Cambridgeshire Pension Fund (the “Fund”) has engaged WM State Street Global Services (“State Street”) to provide performance reporting for the Fund’s investments. State Street provides quarterly reports for review at the meetings of the Investment Sub Committee.
- 3.2.2 This report considers the annual comparison of the Cambridgeshire Fund with the Local Authority Universe, over the period from 1 April 2015 to the 31 March 2016.
- 3.2.3 It should be noted that from April 2016 State Street have ceased to provide performance reporting of the Local Authority Universe, but have offered to transfer the history and rights for this service to another provider should all Local Government Pension Funds authorise their data transfer to the new provider. In early July 2016 PIRC Ltd announced that they will be providing an alternative peer group analysis that will initially replace the State Street universe reporting.
- 3.2.4 The Cambridgeshire Fund has engaged Mercer Consulting Ltd to provide the quarterly performance reporting for the Fund, at similar terms to the WM arrangements. The duration and nature of this arrangement will be reviewed following the effective implementation of Asset Pooling anticipated in April 2018.
- 3.2.5 The Committee are requested to note that the universe is not a league table, where the highest return is the sole measure of success. Rather the comparative value is to learn and consider the potential benefits of other Funds performance and strategy plans.
- 3.2.6 Benchmarking against peers provides useful perception on the progress of Cambridgeshire Fund investments, asset allocation options and a view on the quality of Fund Managers and strategy.

3.3 2015-16 Annual Review

3.3.1 Investment performance highlights for the financial year to March 2016 are:-

- Over the one year view the Fund Return of -1.9% underperformed the Local Authority universe of 0.2%. This underperformance was attributable to asset allocation (-0.2%) and stock selection (-2.0%). Performance of the Fund was below average when compared to the universe.
- A longer term perspective shows underperformance against the Local Authority universe over three (-0.6%) and five year periods (-0.5%). Both durations produced below average performance when compared to the universe.
- Relative to other Funds Cambridgeshire has underperformed in all asset classes except alternatives and property in the latest year. Compared to others the Fund has performed well in UK equities alternatives but less well in non-UK equities, bonds and property over the medium term.

- Comparing the Local Authority Universe asset allocation, the Cambridgeshire Fund holds a significantly higher equity allocation, broadly equal weighted allocations in other alternatives such as Private Equity and Hedge Funds, in property and cash, but a lower allocations to bonds.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>(Objective 1)</i>
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. <i>(Objective 3)</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>(Objective 5)</i>

5. Finance & Resources Implications

5.1 Not applicable.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with this report.		

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

Risk	Risk Rating
There are no risks associated with this report.	

7. Communication Implications

7.1 Not applicable.

8. Legal Implications

8.1 Not applicable.

9. Consultation with Key Advisers

9.1 Not applicable.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Link to reports from the 29 July 2016 meeting of the Pension Committee:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetinginPublic/mid/410/Meeting/2659/Committee/412/Default.aspx>

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 19/9/2016

Appendix 1

Note 8 - Transfers In From Other Pension Funds. Separation of the value of Group Transfers in the 2015-16.

As shown in the draft:

2014-15 £000		2015-16 £000
2,866	Individual transfers	8,735
<u>2,866</u>		<u>8,735</u>

Revised:

2014-15 £000		2015-16 £000
-	Group transfers	5,773
2,866	Individual transfers	2,962
<u>2,866</u>		<u>8,735</u>

Note 15(c) – Add an additional table of investments which represent more than 5% of the net assets of any class or type of security. The format of this note has yet to be agreed with BDO.

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 26 October 2016

Report by: Head of Pensions

Subject:	LGSS Pensions Service Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board are asked to note the Administration Performance Report
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 One of the core functions of the Pension Fund Board (the Local Pension Board) is to ensure the effective and efficient governance and administration of the Scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Administration Reporting

2.1 Receipt of Employee and Employer Contributions

- 2.1.1 The following table 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 (after the 19th of the month following deduction) for the period 1 August 2015 to 31 July 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
March 2016	97.6	2.4	97.3	2.7
April 2016	96.3	3.7	94.5	5.5
May 2016	97.0	3.0	95.3	4.7
June 2016	97.2	2.8	96.9	3.1
July 2016	97.2	2.8	99.1	0.9
Average for period	97.6	2.4	96.4	3.6

- 2.1.2 Persistent late payments and submission of accompanying payment schedules are monitored closely and officers work in close liaison with scheme employers and third party payroll providers to resolve issues. The Payment of Employee and Employer Contributions Policy came into force on 1 April 2016 to ensure scheme employers are aware of the consequences of not meeting their statutory obligations and are aware in advance of the ramifications of persistent non-compliance.
- 2.1.3 There are four employers in the Fund that have either paid contributions late or have contributions outstanding for this period.
- 2.1.4 Two of the cases are cheque paying employers who have been advised that cheques are no longer accepted. From March 2016 cheques received have been returned to each employer and until an alternative payment is made this is deemed as non-payment.
- 2.1.5 One case is in respect of a large employer who has made two late payments and two non-payments for the period. A meeting has been scheduled between the Employer Services and Systems Manager with the Employer to resolve the matter as priority. **A verbal update will be provided as to the outcome of the meeting and whether the Employer should be reported to the Pensions Regulator.**
- 2.1.6 The remaining case has no clear explanation of why contributions were late/missing and they have been reminded of their statutory obligations. If these cases are not resolved (or re-offense) we will deem them as material significance and will be reporting them to the Pensions Regulator
- 2.1.7 The previous case whereby one Employer had not paid contributions to the Fund and had subsequently gone insolvent has now been fully resolved as the letting authority has now paid the outstanding monies to the Fund.

2.2 Overpayments of Pension

- 2.2.1 The table below shows all the overpayments of pension that have occurred, split by categories of explanation, during the period 1 May 2016 to 31 August 2016.

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	Recovery	£0	
Death of a Pensioner/Dependant	Written off	£6,035.39 (73 cases)	£13,146.54
	Recovery	£7,111.15 (4 cases)	

2.2.2 In this period, £2,803.91 has been recovered for the 2015-16 financial year and £1,299.28 has been recovered to date for the current financial year across all overpayment types.

2.3 Key Performance Indicators – LGSS Pensions Service

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

2.3.2 The performance against the key performance indicators for the period 1 June 2016 to 31 August 2016.

KPI	Target	June	July	August
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%	99%	96%	98%
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	95%	97%	96%	100%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	96%	90%	93%
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	90%	82%	89%	80%

KPI	Target	June	July	August
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	100%	90%	96%
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	95%	100%	100%	100%
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	95%	100%	100%	100%
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	N/A	N/A

2.3.3 The full analysis of data for the June, July and August statistics along with explanations on the lower than expected performance can be found in Appendix 1 of this report.

2.4 Key Performance Indicators – Scheme Employer Performance

2.4.1 The following key performance indicators, as agreed by the Pension Committee, are based on the performance of the scheme's employers for the period 1 June 2016 to 31 August 2016 are detailed in the table below.

KPI	Target	June	July	August
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	100%	97.1%	97.2%	Not available
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	100%	N/A	N/A	N/A

- 2.4.2 Employer performance continues to be managed by officers of the Fund and progress continues to be made. Close liaison with employers in regards to the timely submission of both payments and schedules in order for them to meet statutory compliance.

3. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
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. <i>Objective 2</i>
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. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

4. Finance & Resources Implications

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

5. Risk Implications

- a) Risk(s) associated with the proposal

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

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

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

6. Communication Implications

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

7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 19/9/2016

**Appendix 1 – Pensions Service KPI analysis for June, July and August
June 2016**

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	540	532	8	99%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	66	64	2	97%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	50	48	2	96%	
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	74	61	13	82%	Cases outside of SLA target as a result of a backlog of checking, from bulk estimate work carried out as a part training of new members of the team.

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	6	6	0	100%	
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	2	2	0	100%	

July 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	560	535	25	96%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	74	71	3	96%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	30	27	3	90%	<p>Low volume of case work in this area and this impacts the percentage if there are cases not within target.</p> <p>Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work</p>

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	93	86	7	92%	
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	26	3	90	Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	0	0	0		

August 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	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%	451	444	7	98%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	74	74	0	100%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	28	26	2	93%	Cases outside of target due to high volumes of work
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	108	86	22	80%	Cases outside of target due to high volumes of work and team changes.

Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	67	64	3	96%	
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	7	7	0	100%	

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 26 October 2016

Report by: Head of Pensions

Subject:	Asset Pooling
Purpose of the Report	To update Pensions Fund Board on ACCESS Asset Pooling progress.
Recommendations	The Pension Fund Board are asked to note the progress made on the Asset Pooling proposal.
Enquiries to:	Name – Paul Tysoe Tel – 01604 368671 E-mail – phtysoe@northamptonshire.gov.uk

1. Background

- 1.1 On the 15th July 2016, the ACCESS pooling proposals were submitted to DCLG, comfortably in advance of the required deadline. This report updates on progress following the submission.
- 1.2 The focus of activity following the submission has been mainly around ACCESS governance and the structure of the pool, predominantly whether to rent or build the pooling entity.
- 1.3 Governance work is ongoing on an Inter Authority Agreement between the eleven sponsoring Pension Funds. This will be a legally binding document addressing key issues such as: decision making powers; and voting and financial arrangements.
- 1.4 The question of building or renting the pooling structure was discussed at a meeting of the Chairmen on 2nd September 2016, who unanimously agreed in principle to a rental structure, but with an option to take ownership of the vehicle in the future.
- 1.5 Although the Chairmen meet to agree these matters in principle, as individual fund representatives of the ACCESS pool, it is recognised that the approval of such proposals remains with the individual Funds. This will in time require an amendment to individual fund constitutions to empower ACCESS to make certain decisions on behalf of the Funds. An example of this is the ongoing Inter Authority Agreement, which will provide pre pooling powers to the ACCESS Joint Governance Committee, currently the Chairman of each Fund.

2. Rent or Buy?

- 2.1 The Chairmen reached a unanimous agreement, in their meeting of the 2nd September to rent initially but, given the scale of the ACCESS pool and with longer term cost efficiency in mind, there is support within the group for retaining an option to transition to a wholly owned Operator in the medium term.
- 2.2 This agreement is subject to ratification by all of the individual administering authorities in the pool according to the applicable constitutional and governance protocols of each.
- 2.3 Pending ratification officers will continue with pooling implementation, however progress is dependent on Central Government providing formal confirmation for the ACCESS pool.
- 2.4 Collective work by officers and advisers has indicated there are a limited number of credible, established suppliers with a proven track record in delivering Operator services and capable of operating at the required scale (possibly between 6 and 8 potential suppliers). However analysis of the market (including discussions with potential suppliers) provides confidence that there will be sufficient choice and significant competition in the procurement process.
- 2.5 Analysis based on input from suppliers, advisers and lawyers indicates that renting a third party Operator reduces the implementation timescale by more than six months relative to the timetable for delivery of a built and owned Operator.

3 Central Government Pooling “Green Light”

- 3.1 The potential costs of pooling across the Funds are significant, for example annual running costs of between £3m to £5m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

4. Proposal

- 4.1 The Local Pension Board are asked to note the Asset Pooling proposal and note that the Committee have been asked approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, in a view in the medium term to wholly own the operator.

5. 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. <i>Objective 1</i>
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. <i>Objective 18</i>
Maximise investment returns over the long term within agreed risk tolerances. <i>Objective 19</i>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

6. Finance & Resources Implications

- 6.1 The costs of implementation and annual running costs of a rental operator will be shared between all Pension Funds in the ACCESS pool.
- 6.2 Cost sharing arrangement will be included in the Inter Authority Agreement which is currently being drafted by officers and advisors for Member scrutiny and approval.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Risk of inappropriate asset pooling arrangements.	Informed project plan with strong governance arrangements (Task and Finish Groups, Chairman meetings), supported by appropriate advice (i.e. Legal, Financial and Investment).	Green

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

Risk	Risk Rating
Without a clear ratification of the decision to proceed with the pooling of assets within the ACCESS pool the Fund may face scrutiny as to whether the decision was appropriately made.	Red

8. Communication Implications

Website	Pension Committee and Pension Fund Board meeting minutes that are held in public session can be found on the County Council's website detailing resolutions made by the Pension Committee.
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9. Legal Implications

- 9.1 Where applicable, appropriate legal advice has been instructed, this has been undertaken at both a Pool and Multi Pool level, with cost sharing between the parties.

10 Consultation with Key Advisers

- 10.1 Key advisers have been sought as required covering, legal, financial and Investment matters.

11. Alternative Options Considered

- 11.1 Engagement with legal advisers and regular consultation with both the Treasury and the Department for Communities, with support from the Local Government Association, have guided the investigation and discussion on suitable options for asset pooling as required from Central Government guidance and regulation.

12. Background Papers

- 12.1 Not applicable

13. Appendices

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 19/9/2016

CAMBRIDGESHIRE LOCAL PENSION BOARD AGENDA PLAN



Cambridgeshire
County Council

Notes

Items shown in bold have or will be considered by the Pension Committee.

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

Committee date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
25/01/17	1. Minutes 26/10/16	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report)	J Walton		
23/03/17	1. Minutes 25/01/17	D Snowdon		
	2. Administration Report (includes Employers, Admissions and Cessations Report, Business Plan Update and Governance and Legislation Report)	J Walton		

