

PENSION FUND COMMITTEE



Date: Thursday, 13 June 2019

Democratic and Members' Services

Fiona McMillan

Monitoring Officer

10:00hr

Shire Hall

Castle Hill

Cambridge

CB3 0AP

Kreis Viersen Room

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-conduct-code>
- 2a) **Minutes of the Pension Fund Committee 28th March 2019** **5 - 18**
- 2b). **Minute Action Log** **19 - 20**
3. **Governance and Compliance Report** **21 - 40**
4. **Administration Performance Report** **41 - 50**
5. **Data Improvement Plan Progress Report** **51 - 60**
6. **Annual Business Plan 2019-20 Update Report** **61 - 72**
7. **2019-20 Communications Plan** **73 - 82**

- 8. Employer Admissions and Cessations Report 83 - 88**
- 9. Access Asset Pooling Update 89 - 106**
- 10. 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)*
- 11. Valuation of the Fund**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 12. Forward Agenda Plan 107 - 110**
- 13. Date of Next Meeting - 25th July**

The Pension Fund Committee comprises the following members:

Mr Lee Phanco Mr Matthew Pink Councillor Richard Robertson Councillor David Seaton and
Mr John Walker Councillor Peter Downes Councillor Ian Gardener Councillor Anne Hay
Councillor Terence Rogers Councillor Josh Schumann and Councillor Mike Shellens

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

Clerk Name: Rob Sanderson

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MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 28th March 2019

Time: 10.00-13.25

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors P Downes, I Gardener, A Hay, T Rogers (Chairman) and M Shellens; L Phanco, Councillor R Robertson, and J Walker

Officers: C Blose, D Cave, S Heywood, M Oakensen, P Tysoe, J Walton and M Whitby

Observers: Councillors S King and D Payne

Apologies: Councillors D Seaton and J Schumann

113. DECLARATIONS OF INTEREST

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his daughter-in-law was a current member of the LGPS and (ii) his son was a deferred Member of the LGPS.

Councillor R Robertson declared a personal interest as his wife was in receipt of a small pension.

Councillor P Downes declared an interest as a retired member of the scheme.

Lee Phanco declared an interest as a member of an LGPS scheme (not the Cambridgeshire Fund) and as a Director of the Cambridge Sports Hall Trust.

114. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 13th DECEMBER 2018

The minutes of the Pension Fund Committee meeting held on 13th December 2018 were approved as a correct record and were signed by the Chairman. Councillor Downes requested that his apologies be noted retrospectively.

With regard to the first action on page 2 of the minutes, it was agreed that a response would be sent out. **Action required.**

The Committee noted the Action Log.

115. PETITIONS AND PUBLIC QUESTIONS

There were none.

The Chairman advised that he had received a question from Dr Smith, who was unable to attend the meeting, asking the Committee to re-examine its Environmental, Social and

Governance (ESG) Policy. The Chairman had asked officers to draft a response, which would in turn be shared with Committee Members. **Action required.**

116. APPOINTMENT OF VICE CHAIRMAN/WOMAN

Councillor Gardener had recently replaced Councillor Hickford as a member of the Pension Fund Committee. As Councillor Hickford had been Vice-Chairman, a replacement was sought. The appointee would also automatically become the Vice Chairman of the Investment Sub-Committee.

Councillor Rogers nominated Councillor Gardener, and this was seconded by Councillor Hay. There being no further nominations, Councillor Gardener was appointed as Vice-Chairman.

117. EXTERNAL AUDIT PLAN YEAR ENDED 31ST MARCH 2019 CAMBRIDGESHIRE PENSION FUND

The Committee considered a presentation from Ernst & Young on their audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31st March 2019.

Mark Hodgson, Associate Partner at Ernst & Young (EY), the Fund's new External Auditors, was welcomed to the meeting. Members noted the overview of the Audit Strategy, proposed timeline for delivery of the audit work and the risks associated with the audit process. To date Audit Reports had been very positive, reflecting the good work of the Pensions team.

Mr Hodgson explained that the audit work was split in to four categories:

- (1) Fraud risks, such as the potential for management to override controls and manipulate accounting records;
- (2) Significant risks which were material and likely to happen – the investment in Cambridge & Counties Bank, was judged to be unusual, and required greater scrutiny;
- (3) Inherent risks that were likely to happen;
- (4) Inherent risks that were unlikely to happen.

Mr Hodgson outlined how the EY Audit team aimed to get sufficient assurance in the areas of potential risk identified.

Planning materiality was set at £29.69M (1% of the prior year's net assets), and anything below that threshold could be regarded as a clean audit. However, EY would be reporting on any audit differences i.e. all uncorrected misstatements totalling £1.4M.

It was noted that EY were also the auditor for Cambridgeshire County Council, and both audits needed to be completed by 31/07/19. In terms of fees, these were set by the Public Sector Audit Appointments Ltd (PSAA). However, in addition there would be a fee relating to the significant risk identified relating to Cambridge & Counties Bank, requiring additional, specialist input. It was noted that the Fund employed its own independent professional valuer, Grant Thornton, to assess the valuation of the Cambridge & Counties Bank. Mr Hodgson commented that Grant Thornton's valuation would be based on reviewing data from Cambridge & Counties Bank, whilst the EY team would be reviewing those individual inputs to make sure they were comfortable with them. Both Grant

Thornton and EY would ascertain a valuation range, and there would only be an issue if those ranges were significantly different. In relation to the valuation of Cambridge & Counties Bank, it was noted that the value as at 31/12/18 would be used, but by July the 30/06/19 valuation would also be available, and significant differences between those valuations, indicating volatility, could be a concern.

Arising from the presentation:

- Members noted the risk area of focus under Pension Liability Assumptions that *“...membership data and cash flows provided to the actuary... may not be correct”*. Mr Hodgson confirmed that the Actuary depended on correct data inputs, so the audit team would check that the datasets provided to the Actuary by the Pension Fund accountancy team were accurate. Officers advised that the team ran a number of year end processes, and this data was provided by scheme employers. The process was fairly standard, with little scope for the information to be extracted incorrectly;
- it was confirmed that there was a very strict timetable set for local government for completion of accounts by the end of July;
- with regard to complex investments, it was confirmed that the Custodian attempted to give six monthly valuations to accurately reflect current values;
- a Member queried the reference to “journal postings” in the section on Fraud Risk. Mr Hodgson explained how this related to the potential scope for error in the transition process from one data source to another, which in practice was unlikely;
- a Member asked why the ACCESS pooling arrangements were not specifically listed in the section on audit risks and areas of focus. Mr Hodgson advised that from an audit perspective, moving investments in to the pool was effectively just moving investments from one manager to a bigger investment manager: the process was the same, but the money was being invested by a different organisation. The Chairman commented that as the Fund’s representative on the ACCESS Committee, he did have some concerns about the way ACCESS was being audited, and he hoped that this could be addressed internally prior to the external audit;
- Members queried the relationship between internal and external audit processes. Mr Hodgson outlined the relationships between the two different teams, but stressed that his team would not be relying on the work produced by Internal Audit or the controls within the financial systems.

The Chairman thanked Mr Hodgson, and commented that he found the Audit Plan and Strategy interesting reading, and easy to follow, and he hoped the Fund could meet all of the auditors’ requirements. He noted that the initial audit work and relationships with officers had gone very well.

It was resolved to note the presentation.

118. INTERNAL AUDIT REPORT 2018-19

The Committee considered the findings of Internal Audit work during 2018-19. The Head of Internal Audit outlined the relationship and process between internal and external audit functions. Internal Audit focuses primarily on systems of control and administrative processes. The findings from both audit teams feed in to each other.

Members were pleased to note that the findings of the Internal Audit work for 2018-19 was that substantial assurance had been given for both the control environment in place, and for compliance. The Head of Internal Audit commented that it was unusual to give substantial assurance on both aspects.

Arising from the report:

- a Member noted that with reference to Employer and Employee Contribution Reconciliations and the Review of Suspended Pensioners, both of which had specific recommendations in the 2017-18 Internal Audit, the report stated “*previous recommendations had not been fully completed*”, and no timescales for completion had been given. She asked officers if they were confident that these actions would be completed, as she was uncomfortable with the lack of an identifiable completion date. The Head of Internal Audit advised that it was not necessary to give a target date, as the Internal Audit team was comfortable with the pace of the process, but would be keeping these recommendations under review. The Pension team were progressing these issues as quickly as circumstances would allow, and it was unusual for the Internal Audit team to specify target dates;
- a Member queried the detailed finding relating to pension payments being paid at the correct amount with the correct rate of annual increase, specifically the statement “... *no evidence had been retained to support the checks undertaken by Pensions to provide assurance that the uplift had been actioned accurately*”. Officers advised that the evidence was within the pensions payroll itself, i.e. the correct uplifts had been applied. However, evidence had not been retained, and this would be done in future. The Head of Internal Audit confirmed this point, that it was judged to be a minor control point that there was no documentary evidence, but there was sufficient evidence regarding the accuracy of uplifts in the pension payroll itself;
- it was noted that “suspended pensions” related to cases where, for example, it was believed that a pensioner had passed away, but this had not been formally corroborated. This issue should be resolved when the mortality screening service was in place, later in the year;
- a Member queried the one outstanding employer, with respect to Employer and Employee Contribution Reconciliations, which was a recommendation from the 2017-18 Audit review. The Head of Internal Audit agreed to provide that information outside of the meeting. **Action required.** Officers confirmed that all contribution repayments were currently coming through at 100%. It was noted that the differentials often related to what was expected from an employer and what was paid, and often the sums could not be reconciled due to e.g. a change of info, refunds netted off, etc;

- with regard to “unfinished data”, a Member asked officers how accurate they believed the Pension team’s data was. Officers advised that a Data Improvement Plan was in place to increase the accuracy of data.

It was resolved to note the Internal Audit work during 2018-19.

With the Committee’s agreement, it was agreed to change the order of agenda so that the Valuation of fund update item could be considered next.

119. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

120. VALUATION OF FUND UPDATE

Douglas Green of Hymans Robertson, the Fund’s Actuary, gave an update on current actions, and an overview of the timeline moving forward.

It was resolved to:

1. note the valuation update;
2. approve the recommendation for setting the main financial assumptions to be used for the Pension Fund valuation, as set out in paragraph 3.5 of the report;
3. approve the process to be used for setting contribution rates for the large Scheduled Bodies in the Fund, as set out in paragraph 3.10, amended to 2% (from 1%) until 2020 in the short term and then revert to RPI less 0.5% after 2020.

The Committee returned to public session.

121. ANNUAL BUSINESS PLAN REPORT

Members considered the Pension Fund Business Plan Update for the period ending 28th February 2019.

It was confirmed that everything was on track in Quarter 4 except for the payroll reconciliation, which had slipped by one week.

A Member noted the statement that “*no significant recruitment or retention issues*” had been observed as at the end of February, but 10% of staff had left the team within eight months. Officers advised that this was not an issue, and was not unusual for either the industry or local authorities. They also advised that training new members of staff could

take up to six months, dependent on the role and prior experience. The fact that the Pensions team were employed by Northamptonshire County Council had not appeared to impact on recruitment or retention, as the team was funded entirely by the Pension Fund. A Member asked if the team operated an amortisation policy for training i.e. did staff have to pay their training costs back? Officers advised that this was only the case with external training costs e.g. professional qualifications.

Given the future of Northamptonshire County Council, it was noted that it had publically been proposed that a lead authority model be adopted. This would mean the ultimate responsibility for the LGSS pensions team would move to another authority, but scheme members, employers and the Committee would not be affected by this change. The Chairman asked officers to keep the Committee updated on this matter.

It was resolved to note the Pension Fund Business Plan Update for the period ending 28 February 2019 of the 2018-19 financial year.

122. ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY 2019-20 TO 2021-22

The Committee considered the Annual Business Plan and Medium Term Strategy which detailed the Fund's key areas of activity over the period 2018/19 to 2021/22.

Members noted that by approving the new Business Plan for the forthcoming financial year, they would also be granting approval for officers to progress with the activities set out within the Plan, including the financial implications of those activities. In terms of order of magnitude of the uplift, the figures were included where this information was available, but where 'non-business as usual' activities had not been procured, work had been undertaken to give a likely estimate, and the Committee would be kept updated of actual costs through the regular update reports.

Key activities in the Business Plan included:

- Procure a supplier of mortality screening and member tracing services and process results (GC2) – this had never been undertaken previously and the estimated cost was significant (£180K);
- Obtain proof of continued existence of scheme members residing overseas (GC3) – the exercise had previously been run, and it was proposed to repeat it every two years;
- Complete the Guaranteed Minimum Pension reconciliation project with rectification of members' records (GC7) – this project would external expertise, costing approximately £53K;
- Processing of undecided leavers (OPS1) – this was included in the Data Improvement and the proposal was to use Aon Hewitt to progress a tranche of those records. This cost would be offset by the staff underspend from 2018/19. Total costs were estimated at between £128K to £156K. The Actuary commented that this work would be helpful, and some Funds were not even reviewing this area.

Arising from the report:

- a Member queried the contract with Altair, which was due to expire in 2021. Officers explained that when initially procured, Altair was the only suitable provider in the marketplace, and was procured coterminously with the new Payroll platform. For the re-procurement, a full procurement exercise would be carried out;
- a Member noted that there was no reference to savings or efficiencies in the Business Plan, in a climate when local authorities were under pressure to find savings across the board. He asked when the Pension team last review their administration costs, with a view to reducing costs? Officers advised that a report on Activity Based Costing had been considered by the Pension Fund Committee in 2018, demonstrating where savings had been made. Moreover, the activities of the pension funds had increased, due to regulatory requirements, data improvement initiatives and additional governance obligations. Against this background, staffing levels had not increased, and the ratio for number staff to scheme members had actually improved. Furthermore, no additional staff had been recruited to deal with the ACCESS project, which had been very resource intensive. The Chairman agreed on this point, and commented that whilst ACCESS was building up its own administration unit, significant work and professional expertise was still being input from pensions officers from across the member authorities, including the LGSS Pensions team. Authority had been given for additional staff to be recruited, but this had not been actioned to date. The Chairman thanked officers for all their hard work on the ACCESS arrangements;
- it was noted that measures were been examined to automate monthly data collection as far as possible, and it was agreed to circulate a report on this. **Action required;**
- a Member observed that management expenses did not appear to be declining with the introduction of ACCESS. Officers advised that securing the cheapest fees was not necessarily the main benefit of the pooling arrangements – obtaining the best value for money was the key objective, providing higher performing managers, although the price for better performance might be higher fees;
- there was a discussion about differences between the information provided in the Cash flow projects for 2018/19 to 2020/21, included in the report, and the figures provided in the Administration report. It was agreed that the latest performance figures for the period ended 31/03/19, for presentation to the Investment Sub-Committee, would be circulated to Pension Fund Committee Members. **Action required;**
- noting the significant costs of the proposed mortality screening project, a Member queried whether this proposal was cost effective. Officers confirmed that there would be screening on every type of membership except active membership, including 6000 deferred records. The £180K estimate was based on soft market research. This exercise had never been carried out, and could result in significant benefits if issues such as evidence of fraud or GDPR risks (e.g. personal information going to wrong addresses) were uncovered. It was noted that there could be instances where a scheme member had passed away but the Fund had not been notified, and the pension was still being paid, which could continue for some time e.g. if the pension was being paid in to a joint account;

- a Member asked why the OPS1 project (processing of undecided leavers), relating to around 1300 cases, cost £130K. Officers advised that these were often complex cases, and external assistance was required to jump start this project, as the resources were not currently available internally. Having a plan in place to correct inaccurate data would be looked on favourably by the Fund's regulators.

It was confirmed that officers would report back to the Committee quarterly on progress, and specifically when actual costs were known.

It was resolved to:

Approve the Business Plan and Medium Term Strategy.

123. REVISED OVERPAYMENT OF PENSION POLICY

The Committee considered the revised Overpayment of Pension Policy.

Officers set out a number of key changes. The first was to increase the amount that officers have the delegated authority from the Committee to write off due to the recovery process being uneconomical to pursue. It was proposed to increase this from the current £100 to £250. This was in line with the limits set by HMRC. The second key change was to delegate authority to officers to write off overpayments that resulted directly from the non or misapplication of the Guaranteed Minimum Pension (GMP) element of a member's pension. It was also proposed to withdraw the period of time over which an overpayment was repaid. It was also proposed to change the reference to Director of Finance to Section 151 Officer, in line with current terminology.

A Member asked who would decide when to waive the policy, when there were cases with exceptional circumstances overriding legislation. Officers confirmed that this would usually be based on officer interpretation within the service, based on experience and professional knowledge, but external guidance would be sought where appropriate.

In response to a question on how many cases were in the £100-£250 range, officers advised that this would only impact on a small number of cases. In relation to the non or misapplication of the GMP element, it was confirmed that the affected scheme members would be notified as a matter of course.

Members noted the authority levels for write-offs, with write-offs over £25K requiring Committee approval. One Member queried the scale of the write-off levels, but it was noted that these had been agreed by the Committee in May 2018.

It was resolved, by a majority, to:

1. delegate the authority for officers to write off all overpayments that are up to £250.00 (gross) as set out in paragraph 2.2 of the report;
2. delegate the authority for officers to not seek recovery of overpayments resulting from the incorrect application of Guaranteed Minimum Pension (Paragraph 2.3.2);

3. approve all other amendments to the policy as detailed in Appendix 2 to the report.

124. RISK STRATEGY AND RISK REGISTER REVIEW

The Committee considered a report on the Cambridgeshire Pension Fund Risk Register, which had been revised to include the likelihood of risks occurring and impact assessments. Risks had been consolidated from 54 down to 25, to provide greater focus and monitoring on the more high level risks. There were also some changes in risk priority and ordering. The Risk Register had been considered by the Local Pension Board, and updated to reflect their comments. The Local Pension Board would be receiving a Risk Monitoring Report on a quarterly basis, which the Pension Fund Committee would be considering every six months.

Arising from the report:

- noting the Risk Strategy objective *“raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)”*, a Member suggested that Members should be added to that list;
- suggested that *“improve financial management”* should be at the top of list under the section “Purpose of the Strategy”;
- suggested that the objectives need to be linked to Fund objectives and the Business Plan;
- noting the example used in Appendix 1, a Member commented that 4000 records was not insignificant, and pointed out that this involved considerable reputational risk.

It was resolved to:

- a) approve the revised Risk strategy and Risk Register;
- b) agree to delegate to the Head of Pensions in consultation with the Chairman and Vice Chairman the authority to agree any urgent revisions that might be required.

125. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies, one Scheduled Body and two exits.

In response to a Member question, it was confirmed that when a new body joined the scheme, there was a one-off fee, i.e. costs were recharged costs so that the Fund did not bear any costs.

It was resolved to:

1. note the admission of the following admitted bodies to the Cambridgeshire Pension Fund:

- Advanced Cleaning Services (Kettlefields Primary School)
- Aspens Services Limited (The Harbour School) and (Brampton Village Primary School)
- Caterlink Limited (Witchford Village College)
- Edwards and Blake Limited (Coates Primary School)
- Romsey Mill Trust

2. note the admission of the following scheduled body to the Cambridgeshire Pension Fund:

- Cambridgeshire and Peterborough Combined Authority

3. note the exit of the following bodies from the Cambridgeshire Pension Fund:

- Whittlesey Internal Drainage Board
- Lunchtime Company Ltd (Abbey Meadows Primary School)
- NECS (UK) (Caldecote Primary School)

126. ADMINISTRATION PERFORMANCE REPORT

Members considered a report setting out performance in a number of key areas of Fund administration.

The Committee noted that one of the KPIs had an Amber rating: *“Provide transfer in quote to scheme member (Statutory) within ten days”*. There was also one overpayment amounting to £2,434.83 due to a child’s pension being overpaid. The appropriate review had not been carried out when the child had attained the age of 18. Processes had been tightened to ensure these reviews were carried out at the appropriate time to mitigate against the risk of further overpayments in this area.

(Councillor Downes left the meeting).

A Member commented favourably on the performance evidenced in the report.

It was resolved to:

Note the Administration Performance Report

127. INVESTMENT STRATEGY

Members were reminded that the Investment Sub Committee had performed a detailed review of the Fund’s Strategic Asset Allocation during 2018, and agreed a final, revised Strategy at its meeting in February 2019, for presentation to the Pension Fund Committee.

Central to the new Strategy was a reduction in investment in direct equities, increasing the amount invested in Alternatives, notably private equity. The Investment Sub Committee believed that this would better manage risk whilst broadly earning the same returns to the Fund, reflecting the desire for greater stability as the Fund reached higher funding levels. Members’ attention was drawn to the wide tolerances (ranges) in the allocations. These

were set generously to allow for market fluctuations i.e. to avoid having to repeatedly buy and sell.

The Investment Sub-Committee had also considered in depth its approach to ESG as part of the Stewardship Code, and opted to maintain a strong policy of engagement rather than disinvestment. The Business Plan detailed the ongoing work on the Stewardship Code.

With regard to the ESG Policy, one Member expressed some concerns, suggesting that whilst engagement was usually the best approach, disinvestment was warranted in some circumstances e.g. the disinvestment from oil of Norway's Sovereign Wealth Fund, especially as Shell and BP were the only oil companies investing in appreciable alternatives strategies. Noting this point, the Chairman reminded Members of the excellent presentation by Majedie at the recent Investment Training Day, and suggested it would be helpful if officers could share that presentation more widely. It was also noted that there had been a question from a member of the public about the Fund's ESG policy i.e. engagement versus disinvestment, and the response would explain the Fund's position in terms of exploring this further as part of the Stewardship Code.

The Committee discussed how the Fund would manage negative cashflow in future years, and also how the significant passive portfolio (approximately 40%) factored in to the Investment Strategy.

Noting the asset allocation table, a Member suggested that these should be spelt out in more detail (e.g. Property, Private Equity rather than the sub-heading 'Alternatives') to provide more analysis.

It was noted that the Strategy would be presented to the Committee again in March 2020.

It was resolved, by a majority, to:

- 1) approve the Strategic Asset Allocation set out in paragraph 4.1 of the report;
- 2) approve the revised Investment Strategy Statement.

128. CASH MANAGEMENT STRATEGY

Members considered the Cash Management Strategy. Under LGPS regulations, the Fund was required to have its own separate bank account, and could only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme, or to meet investment commitments. Surplus cash is regularly transferred across from the Barclays account into a Custodian Account managed by Northern Trust to fund investment activities. Governance reporting from three key sources provide an oversight by Internal Audit, External Audit and an annual report Mercer Sentinel specifically reports on the efficiency of the custodians cash management on behalf of the Fund.

A Member suggested that the "Operational Issues" table should list "unable to pay pensions" as the greatest risk.

It was resolved to:

- 1) Note the report;
- 2) Approve the Cash Management Strategy.

129. DATA IMPROVEMENT PLAN PROGRESS

The Committee considered a report detailing progress made against the Pension Fund Data Improvement Plan.

With regard to the Payroll/Administration reconciliation and rectification, officers advised that the 81 cases remaining were now down to around 30. Whilst the intention had been to complete this action by 31/03/19, Members were assured that it would be complete by 05/04/19.

With regard to the resolution of scheme specific data fails (identified in the 2018 Data Audit), it was noted this did not impact on the pension being paid, but inconsistencies in addresses, NI numbers, etc. It was stressed that this was very much legacy work which had built up over many years. There was pressure and expectation from both the Pensions Regulator and GDPR legislation to ensure that this information was always correct going forward, and this should now be the case due to direct feeds of information in to pension payrolls. Members commented that it was apparent from this and other reports that the quality of data was getting better all the time.

It was resolved to:

note the contents of the report.

130. GOVERNANCE AND COMPLIANCE REPORT

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

The Members noted issues in relation to potential breaches of the cost cap floor, requiring benefit improvements in excess of 3% of payroll. The Scheme Advisory Board had put forward a number of proposed changes to benefits, to restore costs to the agreed range, and a consultation on this issue was expected shortly. However, in January, a Ministerial Statement was released announcing a pause in the cost cap process for public service pension schemes, resulting from a case deemed to be discriminatory on the grounds of age. The appeal would not be held until late 2019 or early 2020. Whatever the outcome, this had implications in terms of administration, as any benefit changes would need to be delayed until then, and then backdated to April 2019.

In terms of implications for the triennial valuation, the Actuary advised that the four actuarial firms had agreed that if no definite revised benefit structure was in place, the potential impact on changes for the valuation would be ignored.

It was resolved to note the contents of the report.

131. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

132. ACCESS ASSET POOLING UPDATE

The Committee considered an update on asset pooling.

It was resolved to:

1. note the Asset Pooling Update;
2. note the attached exempt minutes from the ACCESS Joint Committee meeting of the 19th September 2018;
3. note the consultation regarding asset pooling and the necessary delegation to the Head of Pensions in consultation with the Chairman of the Pension Fund Committee to approve the final version, due to time constraints.

133. FORWARD AGENDA PLAN

The Committee noted the Forward Agenda Plan. Reports relating to the Actuary's Triennial valuation would be factored in.

The Chairman closed the meeting by thanking officers for their hard work in improving data across the board, which was evident from the reports that the Committee had considered.

Chairman
13th June 2019

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Agenda Item: 2b)

Action log from previous meetings

This log captures the actions from the Pension Fund Committee of the 28th March 2019 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 29th May 2019.

Outstanding actions from 13th December 2018 meeting of the Pension Fund Committee

| Item No. | Item | Action to be taken by | Issue | Action/Status |
|----------|--|--------------------------|---|--|
| 101. | Pension Fund Annual Business Plan Update | Joanne Walton/Paul Tysoe | There was a request for a more detailed explanation of the [governance of the] ESCROW account to be provided to the Committee outside of the meeting. | Completed – A non-interest bearing account has been opened and the first transfer of liabilities was made on the 26 February. The non-interest bearing account will be monitored in the same way as the Fund's General Ledger accounts. There is to be training and clear handover of reconciling GL accounts to the Operations Team in the new financial year. |

Outstanding actions from 28th March 2019 meeting of the Pension Fund Committee

| Item No. | Item | Action to be taken by | Issue | Action/Status |
|----------|--------------------------------|-----------------------|--|--|
| 115. | Petitions and Public Questions | Paul Tysoe | The Chairman advised that he had received a question from Dr Smith, who was unable to attend the meeting, asking the Committee to re-examine its Environmental, Social and Governance (ESG) Policy. The Chairman had asked officers to draft a response, which would in turn be shared with Committee members. | Completed. A draft response has been circulated to members as requested. |

| | | | | |
|------|--|------------|---|--|
| 118. | Internal Audit Report 2018-19 | Paul Tysoe | A member queries the one outstanding employer, with respect to Employer and Employee Contribution Reconciliations, which was a recommendation from the 2017-18 Audit Review. The head of Internal Audit agreed to provide the information outside of the meeting. | Completed – This information was provided later in the meeting. |
| 122. | Annual Business Plan and Medium Term Strategy 2019-20 to 2021-22 | Cory Blose | It was noted that measures were been examined to automate monthly data collection as far as possible, and it was agreed to circulate a report on this. | Ongoing – A report will be circulated to Pension Fund Committee members before the end of June. |
| 122 | Annual Business Plan and Medium Term Strategy 2019-20 to 2021-22 | Paul Tysoe | It was agreed that the latest performance figures for the period ended 31/03/19, for presentation to the Investment Sub-Committee would be circulated to Pension Fund Committee Members. | Completed – E-mail sent 8 th April 2019. |

Pension Fund Committee

Date: 13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|--|
| Subject: | Governance and Compliance Report |
| Purpose of the Report | To provide the Pension Fund Committee with: 1) Activities of the Local Government Pension Scheme Advisory Board; 2) Information on Government Consultations affecting the Local Government Pension Scheme; 3) Skills and knowledge opportunities. |
| Recommendations | That the Pension Fund Committee notes the content of the report. |
| Enquiries to: | Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: jwalton@northamptonshire.gov.uk |

1. Background

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

2. Scheme Advisory Board

2.1 Guidance for the 2019 Valuation

- 2.1.1 As reported at the March 2019 meeting of the Pension Fund Committee, there has been a pause in both the HM Treasury and Scheme Advisory Board cost cap processes. The pause is due to the uncertain outcome of the McCloud case (potentially age discriminatory application of transitional protection following the introduction of the LGPS 2014) whereby there is a scheme liability which is unknown in both scale and timing.
- 2.1.2 The Scheme Advisory Board issued guidance on 14th May 2019 on the approach to be taken with regard to this liability in the 2019 triennial valuation process.
- 2.1.3 At the time of pausing the cost management processes a package of scheme improvements had been recommended costing an average of 0.9% of payroll to bring the future cost of LGPS benefits back within the +/- 2% of the intended 19.5% target cost.

2.1.4 Depending on the McCloud judgement and the cost of any remedy the following outcomes will be possible:

- The proposed changes to the scheme as a result of the cost cap will be unnecessary (should the remedial actions proposed by the Employment Tribunal to address the judgement match or exceed the costs of the benefit improvements required under the cost cap) or;
- Should the McCloud judgement not stand, the cost cap changes will need to be reviewed to allow the impact to be backdated to 1st April 2019 in line with the Government commitments; or
- Should any remedy cost less than the cost cap then further changes to the scheme may be required and backdated to 1st April 2019.

2.1.5 Both the timing and the outcome of the McCloud case are unknown. The potential impact on all public service pension schemes is significant should the 2018 Court of Appeal's finding that protections for those within 10 years of retirement are unlawful be upheld. If the finding is not upheld then the cost cap process will restart.

2.1.6 Given the unknown nature in the timing and scale of any impact on liabilities as a result of the cost cap and the McCloud judgement the Scheme Advisory Board have proposed the following approach to the 2019 valuation:

- If there is no finalised outcome on the cost cap and McCloud in the form of a formal notification by the Ministry of Housing, Communities and Local Government (MHCLG) to administering authorities including a commitment by Government to detailed benefit changes by 31st August 2019 then the scheme benefit design used in the valuation process should be as set out in the current regulations.
- In setting employer contributions for 2020 each administering authority should, in conjunction with their Actuary, consider the approach to the risk and potential extra costs and reflect this in the Funding Strategy Statement.
- Once the outcome of the cost cap and McCloud judgement is known and appropriate benefit changes are made, administering authorities should re-visit employer contributions under the prevailing statutory guidance or provision in regulation.

2.1.7 In order to provide assistance for authorities in assessing the potential impact the Scheme Advisory Board have commissioned the Government's Actuary Department (GAD) to estimate both an overall scheme McCloud cost and a 'worst case' McCloud scenario on a range of pay assumptions.

2.1.8 The Pension Fund Committee will be kept up to date with developments in this matter as they occur.

2.2 Good Governance Review

2.2.1 In January 2019 the Scheme Advisory Board commissioned Hymans Robertson to facilitate a review of governance models for the LGPS. The purpose of the exercise is to consider means of further raising standards of governance across the LGPS in a way that means conflicts of interest are identified and managed effectively and that the Scheme remains appropriately resourced, able to deliver its statutory functions and meet regulatory obligations. Any model under consideration would retain current links to local democratic accountability.

- 2.2.2 Stage 1 of the approach taken by Hymans Robertson was to consult with a sample of key stakeholders from across the LGPS which resulted in a number of important issues, themes and ideas for improving LGPS governance and informed the proposed options for further consultation.
- 2.2.3 Stage 2 involved a survey inviting all stakeholders to comment on the proposed governance models and how they measure against proposed assessment criterion.
- 2.2.4 The proposed models are as follows:

| Option | | Detail |
|--------|--|--|
| 1 | Improved practice | Introduce guidance or amendments to the LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the Fund. |
| 2 | Greater ring fencing for the LGPS within existing structures | Greater separation of pension fund management from the host authority, including budgets, resourcing and pay policies. |
| 3 | Joint Committee | Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement makes the joint committee responsible for recommending budget, resourcing and pay policies. |
| 4 | Combined Authority | Establish a combined authority, a local authority in its own right and a separate legal entity which exists for the sole purpose of administering an LGPS fund. |

- 2.2.5 Survey respondents were asked to quantitatively assess the extent to which the model meets that suggested criteria and were able to add a free text comment for further elaboration.
- 2.2.6 The survey closed on 31 May 2019 and members of the Pension Fund Committee and Local Pension Board were contacted to invite them to participate in the survey.
- 2.2.7 Hymans Robertson will be running further engagement opportunities in the form of workshops and a webinar. The Pension Fund Committee will be kept informed of further information relating to this review.

3. Consultations

3.1 Fair Deal – strengthening pension protection

- 3.1.1 On 10th January 2019, the Government published a further consultation on the assimilation of its new Fair Deal policy into the LGPS. The consultation ran to 4 April 2019 and can be found at the following link:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

- 3.1.2 Features of the consultation included:

- Defining those scheme employers that would be directly impacted by the proposed changes
- Confirming the removal of the ability for contractors to offer the alternative of a broadly comparable scheme as a means of securing pension protection

- Confirming the transitional arrangements protecting those individuals whose pension protection was previously gained via early provisions;
- The proposed introduction of “deemed employer” status as an alternative option to “admitted body” status; and
- Introducing guidance to assist employers in understanding their responsibilities.

3.1.3 Officers drafted a response to the consultation following receipt of the views of the Fund’s key advisers. The final response is included in **appendix 2** of this report.

3.2 Consultation on implementation of late retirement factors

3.2.1 On 28th March 2019 the Ministry of Housing Communities and Local Government (MHCLG) released a closed group consultation on proposed changes to the late retirement increase factors and guidance. The consultation can be found at the following link:
<http://lgpsregs.org/schemeregs/consultations.php>

3.2.2 The proposals include a change in methodology as well as a change in factors which is intended to remove the ‘cliff edge’ that was a result of the last factor change in January 2017 for some members.

3.2.3 The consultation closed on 17 April 2019 and the response drafted by Officers can be found in appendix 3 of this report.

3.3 Consultation on Exit Payments Cap

3.3.1 In 2015 the Government first announced plans to introduce a £95,000 cap on exit payments in the public sector. The cap includes any pension strain costs (the cost to the employer of paying a scheme member’s pension early normally on the grounds of efficiency or redundancy). The cap was legislation for in the Enterprise Act 2016 which amends the Small Business, Enterprise and Employment Act 2015 but required secondary legislation for it to be introduced.

3.3.2 On 10th April 2019 HM Treasury launched a consultation on the draft regulations entitled ‘Restricting exit payments in the public sector: consultation on implementation of the regulations’. The consultation will closes on 3rd July 2019.

3.3.4 The cap will apply to the whole of the public sector but is being implemented in two stages. In the first stage the regulations will apply to exit payments made by:

- Local authorities
- UK Civil Service
- NHS England and Wales
- Academy schools
- Police forces (Including civilians)
- Fire and Rescue authorities

3.3.5 Further and Higher Education corporations, Sixth Form Colleges and Housing Management companies whose employees are members of the LGPS are not covered by the exit cap. The Government expects all public sector bodies not covered by the Regulations to restrict exit payments voluntarily. Regulations will be extended to the rest of the public sector in the second stage.

- 3.3.6 The regulations apply where there has been a 'relevant public sector exit' which occurs when an employee leaves the employment of a public sector authority. Payments included in the cap are (but not limited to) the following:
- Payment on account of dismissal by redundancy (including the statutory redundancy payment)
 - Payment made to reduce or eliminate an actuarial reduction to a pension on early retirement
 - Payment made as an award of compensation under the Advisory, Conciliation and Arbitration Service (ACAS) arbitration scheme or a settlement or conciliation agreement
 - Severance or ex-gratia payment
 - Payment on voluntary exit
 - Payment in lieu of notice due under a contract of employment (if it exceeds 25% of the employee's annual salary).
- 3.3.7 Full details of the consultation can be found at the following link:
<http://www.lgpsregs.org/landscape/consultations.php>
- 3.3.8 Officers of LGSS Pensions will draft a response to the consultation on behalf of the Cambridgeshire Pension Fund and will circulate to the Chairman and Vice Chairman of the Pension Fund Committee prior to submission to HM Treasury.
- 3.3.9 Employers within the Fund have been notified of this consultation.

4. Skills and knowledge opportunities – training events

- 4.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pensions Committee 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 Pension Committee, appendix 1 lists the main events that are deemed useful and appropriate.
- 4.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

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> |
| 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i> |

6. Risk Management

- 6.1 The Pension Fund Committee are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:
- New or amending legislation affecting the LGPS;
 - Relevant activities of the LGPS Scheme Advisory Board and the TPR that concern the governance of the (LGPS) on a national and local basis; and
 - Skills and knowledge opportunities.
- 6.2 The risks associated with Pension Fund Committee not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

| Risk No | Risk | Residual risk rating |
|---------|--|----------------------|
| 7 | Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. | Green |
| 13 | Failure to administer the scheme in line with regulations and guidance. | Green |
| 16 | Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making. | Green |

- 6.3 The Fund's risk register can be found - <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

7. Communication Implications

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

8. Finance & Resources Implications

- 8.1 Not applicable.

9. Legal Implications

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

10. Consultation with Key Advisers

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

11. Alternative Options Considered

- 11.1 There are no alternative options to be considered.

12. Background Papers

- 12.1 None.

13. Appendices

- 13.1 Appendix 1 List of training events/conferences.
Appendix 2 Fair Deal consultation response
Appendix 3 Late retirement increase factors consultation response

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | No |
| Will further decisions be required? If so, please outline the timetable here | No |
| Is this report proposing an amendment to the budget and/or policy framework? | No |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 21 st May 19 |
| Has the Chairman of the Pension Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan – 29 th May 2019 |

Appendix 1 – Internal/External training and events 2019-2020

| Date | Event | Training Credits | Target Audience | Host/Website |
|------------------------------|--|-------------------------|------------------------------------|--|
| 17-18 January 2019 | LGPS Governance Conference | 4 | Officers, Committee/Board members | Local Government Association https://www.local.gov.uk |
| 13 February 2019 | LGSS Pensions Information Day | 2 | Officers, Committee/ Board Members | In house ACCESS – appointment of operator |
| 27 February 2019 (morning) | Chartered Institute of Public Finance and Accountancy (CIPFA) Spring Seminar | 2 | Officers only | https://www.cipfa.org/training/l/lgps-spring-officers-spring-seminar-20190227-london Latest updates on the LGPS and regulations. |
| 27 February 2019 (afternoon) | CIPFA Spring Seminar | 2 | Local Pension Board members only | https://www.cipfa.org/training/l/lgps-members-spring-seminar-20190227-london Latest updates on the LGPS and regulations. |
| 28 February – 01 March 2019 | Local Government Chronicle (LGC) Investment Seminar | 4 | Officers, Committee/ Board Members | https://investmentseminar.lgcplus.com Keeping the LGPS affordable and accessible through austerity and uncertain times. |
| 1 March 2019 | Schroders Trustee Training (Part 1) | 2 | Officers, Committee/ Board Members | https://www.schroders.com/en/uk/pensions/events/training/schroders-trustee-training-2019-london-part-1-spring/ The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them |
| 22 March 2019 | Schroders Trustee Training (Part 2) | 2 | Officers, Committee/ Board Members | https://www.schroders.com/en/uk/pensions/events/training/schroders-trustee-training-2019-london-part-2-spring/ The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them |
| 13 - 15 May 2019 | Pensions and Lifetime Savings Association (PLSA) Local Authority Conference | 4 | Officers, Committee/ Board Members | https://www.plsa.co.uk/Events-Local-Authority-Conference |

| | | | | |
|----------------------|--|---|--|--|
| 26 June 2019 | CIPFA & Barnett Waddingham Local Pension Boards' Annual Full Day Event | 2 | Local Pension Board members only | |
| 2 – 4 July 2019 | Local Authority Pension Fund Forum (LAPF) Strategic Investment Forum | 4 | Chairman of Pension Committee / Officers | https://www.dgpublishing.com/lapf-strategic-investment-forum/ |
| 3 - 4 July 2019 | Heywood Class Group Annual General Meeting (AGM) | 4 | Officers | |
| 10 – 12 July 2019 | LGC Pension Fund Symposium | 4 | Officers | https://pensionfund.lgcplus.com |
| 17 July 2019 | LGSS Pensions Information Day | 2 | Officers, Committee/ Board Members | |
| 25 September 2019 | Introduction to the LGPS 2019 | 2 | Officers, Committee/ Board Members | https://www.cipfa.org/training/i/introduction-to-the-lgps-20190925-london Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework. |
| 3 October 2019 | LGPC Fundamentals Training (Day 1/3) | 2 | Committee/Board Members | Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow. |
| 9 October 2019 | LGSS Pensions Information Day | 2 | Officers, Committee/ Board Members | |
| 11 October 2019 | Schroders Trustee Training (Part 1) | 2 | Officers, Committee/ Board Members | https://www.schrodersevents.co.uk/schroders/frontend/reg/tOtherPage.csp?pageID=573019&ef_sel_menu=10552&eventID=1592 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them |
| 16 - 18 October 2019 | PLSA Annual Conference | 4 | Officers, Committee/ Board Members | https://www.plsa.co.uk/Annual-conference-and-exhibition |

| | | | | |
|-----------------------|--------------------------------------|---|------------------------------------|---|
| 6 November 2019 | LGPC Fundamentals Training (Day 2/3) | 2 | Committee/Board Members | Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow. |
| 8 November 2019 | Schroders Trustee Training (Part 2) | 2 | Officers, Committee/ Board Members | https://www.schrodersevents.co.uk/schroders/frontend/reg/tOtherPage.csp?pageID=573019&ef_sel_menu=10552&eventID=1592 The programme is designed to cover a wide range of different asset classes and investment strategies, as well as how to manage some of the risks associated with them. |
| 19 – 20 November 2019 | Pension Managers' Conference | 4 | Officers | http://www.swcouncils.gov.uk/nqcontent.cfm?a_id=339&tt=swra&eventStatus=list&eventAction=view&eventId=1271 |
| 4 – 6 December | LAPFF Annual Conference | 4 | Officers, Committee/ Board Members | http://www.lapfforum.org/events/lapff-conference |
| 18 December 2019 | LGPC Fundamentals Training (Day 3/3) | 2 | Committee/Board Members | Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow. |
| 26 February 2020 | LGSS Pension Information Day | 2 | Officers, Committee/ Board Members | |

LGSS Pensions
One Angel Square
4 Angel Street
Northampton
NN1 1ED

LGF Reform and Pensions Team
Ministry of Housing, Communities and Local
Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sirs,

Local Government Pension Scheme (LGPS): Fair Deal – Strengthening pension protection policy consultation

I am writing to you on behalf of the Cambridgeshire and Northamptonshire Pension Funds to provide our response to the matters covered in the consultation. We have answered each question in turn.

General comments

The Cambridgeshire and Northamptonshire Funds (the Funds) are supportive of the general principles of Fair Deal and its application to the LGPS to provide continued access to the Scheme for individuals who are compulsorily transferred out of public sector employment. We feel strongly that it is important to provide continued eligibility, in these circumstances, for all those who are already eligible for membership of the LGPS prior to such a transfer.

Question 1: Do you agree with this definition (points 7-18 “protected transferee”)
Regulation 3B(7) provides that:

“An employee of a service provider who is working wholly or mainly on the delivery of the service or function transferred from a Fair Deal employer other than by a compulsory transfer under sub-paragraph (1) may be treated as a protected transferee with the written agreement of the Fair Deal employer and the service provider.”

This could result in current members of the LGPS who accepted employment with a service provider with the expectation of eligibility for membership of the LGPS, after the service or function had been transferred, losing their eligibility.

The consultation does provide that such individuals **can** be treated as “protected transferees” if both the awarding authority and new contractor agree to do so. This provision is no different to the current provision under the Best Value Staff Transfers (Pensions) Direction 2007 but the Funds feel that this is a missed opportunity to provide pension protection to all eligible individuals, with an expectation of access to the LGPS, regardless of where their employment started, thus avoiding the creation of a two tier workforce.

The Funds also note that the written agreement by both parties to provide protection to such individuals can be terminated unilaterally. This provides the opportunity for “gaming” by service providers when bidding for public contracts. A prospective provider could, in theory, agree to offer to protect such members in order to win a contract and then terminate the protection shortly after to reduce the costs of service provision. If agreement is required from both the awarding authority and service provider to provide protection, agreement of both parties should be required to terminate such protection.

Sub paragraph 3B(8) could be amended to say that the agreement *“may be terminated with the agreement of both the Fair Deal employer and the service provider, at any time.”*

We also note that these provisions appear to be contradicted by sub paragraph 3B(11). The regulation should either be removed or amended so that it is *“subject to regulation 3B(7)”*

Sub paragraph 3B(5) provides that a person remains a protected transferee for as long as they are “wholly or mainly” employed in relation to the provision of the transferred service or function. The Funds are of the opinion that it would be useful for the term “wholly or mainly” be defined or clarified to ensure a consistent approach across all employers and administering authorities. The word “mainly” could be subject to differing interpretations.

The regulations are also silent on what happens if the person returns to being “wholly or mainly” employed in connection with the provision of the transferred service or function. The Funds are of the view that the regulations should be amended to clarify whether protected transferee status would be reinstated or if it is removed permanently.

Question 2: Do you agree with this definition of a Fair Deal employer (Points 19-23)

The Funds broadly agree with this definition of a Fair Deal employer and the principle that these provisions should cover all public sector bodies and not extend to non-public sector bodies.

However, the Funds do note that this will increase the likelihood of these types of employers ceasing participation within the Fund, crystallising potentially large funding deficits. This is of particular concern in relation to further and higher education institutions, which typically have large legacy liabilities, given the financial instability of that sector and the lack of protection for Pension Funds in cases of the insolvency of such an institution.

The Funds also note that employers listed under Schedule 2, Part 4 of the 2014 LGPS regulations are not included in this definition. The consequence of this is that employees of Foundation, Voluntary aided and Federated schools, for whom the Local Education Authority is the deemed employer for pension purposes but for whom the school is the legal employer, are not classed as “protected transferees”. The definition of a Fair Deal employer should be extended to include employers listed under Schedule 2, Part 4 of the LGPS regulations.

Question 3: Do you agree with these transitional measures? (points 24-25)

The Funds broadly agree with the principles of the transitional measures. It is important that all former public sector employees are provided with the same protection. The proposed measures, however, may result in unintended consequences:

- Individuals that were transferred to a broadly comparable scheme, prior to 1 April 2014, will have been transferred to a Scheme that is broadly comparable to the LGPS as a final salary scheme rather than a career average scheme. This could mean that under the proposed regulations, some individuals could be forced to leave a scheme that may be better for them than the current version of the LGPS and losing a link to final salary benefits.
- Where an incumbent service provider is awarded a contract following a retender of services there is a risk that the proposed provisions would create a cessation event, within the broadly comparable scheme, if the provider no longer has any active members in that broadly comparable scheme. This could impact the employer covenant of that provider and increase the risk to LGPS Funds, if the provider is required to pay a materially significant exit payment.
- If the contract for services has been in place for some time, it may be difficult to enforce this provision. Under the current data protection act, employers are only required to hold personnel data for 6 years and are likely to have destroyed data, relating to individuals subject to a compulsory transfer, at the expiry of that retention period. If this is the case, it would be difficult to establish who should be enrolled back into the LGPS following a subsequent transfer. The ability to enforce this provision would rely on the service provider holding information that can identify those employees that were part of the original compulsory transfer.

Where an incumbent service provider is successful in a retender process and currently provides a broadly comparable scheme, it is the Funds view that this should be allowed to continue but care should be taken to ensure that this does not provide an unfair advantage during any tender process.

The Funds do agree that individuals transferring back to the LGPS, from a broadly comparable scheme, should have the right to transfer these benefits into the LGPS but that this should be subject to the same limits imposed on new members of the LGPS.

Question 4: Do you agree with our proposals regarding the calculation of inward transfer values (point 26)

The Funds broadly agree with the proposals. In line with our concerns under question 3, if the member was compulsorily transferred out of public sector employment and transferred to a broadly comparable scheme prior to 1 April 2014, the transfer of benefits into the LGPS should purchase final salary benefits, on the condition that the member has deferred final salary benefits remaining in the LGPS, as a result of the original compulsory transfer and that the benefits should be aggregated on re-joining the LGPS. This would ensure that members were not forced into a worse position than they currently enjoy, through no fault of their own.

Question 5: Do you agree with our proposals on deemed employer status? (points 29-39)

The Funds agree with the principle of allowing “deemed employer” status as an alternative to admission agreements but believe this should be an agreed additional option, not a default position out of the administering authorities’ control. The deemed employer approach should be permissible only with the agreement of both the Fair Deal employer and the administering authority. This is based on our view that deemed employer status, if introduced as a default position could create both funding and administrative issues for administering authorities.

Funding - The Funds believe that it is important to allow administering authorities to formally and directly recognise risk sharing arrangements between awarding authorities and service providers. So called “pass-through” agreements can have a number of benefits, in the correct circumstances. If the deemed employer approach was the default position, however, the Funds would be concerned where a current admission body retains a contract following a retender process and is allowed to automatically convert to the deemed employer approach with a material deficit automatically being subsumed by the “deemed employer”. It is the Funds view that material deficits should not be subsumed by the “deemed employer” in all circumstances and that the regulations should be drafted to allow administering authorities the discretion to require the repayment of any deficit, as a condition of the conversion to the deemed employer approach. Not allowing administering authorities discretion over this matter could lead to negative impacts on a Fund’s cash flow.

Further, where the deemed employer route is used, the proposed regulations continue to require the service provider to meet the costs of any decisions taken by them, that result in a strain cost arising. The proposed regulations, however, do not provide the option for an awarding authority to require a bond be put in place by the service provider to cover these potential strain costs, in cases of insolvency. This could create additional funding risks, if these strain costs cannot be recovered from the service provider.

Administration - The Funds note that one of the intended benefits of the proposed deemed employer status is to limit or reduce the number and variety of scheme employers in the LGPS. It is the view of the Funds that the deemed employer approach would not tackle the underlying issues and potentially increase the complexity of administering the scheme. Under such arrangements, administering authorities would, in reality, need to manage both the service provider and deemed employer, in relation to data and contribution collection as well as communication, training and engagement.

The proposals would increase the difficulty in addressing poor employer performance, not make it easier. Administering authorities would be completely reliant on the strength of service contracts between the deemed employer and the service provider to manage poor performance by the service provider. It is our experience that commercial contracts are usually inadequate in dealing with pension matters completely.

Question 6: What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively? (points 38-39)

The Funds have doubts over how effective any scheme advisory board advice would be in resolving the key issues that could arise from the deemed employer approach. In order to have any opportunity to have a real impact, any guidance from the scheme advisory board should be statutory guidance and should therefore be issued by the Secretary of State, not the scheme advisory board.

Where such guidance is issued, this should focus on the relationship between administering authorities, Fair Deal employers and service providers within the deemed employer approach, allowing administering authorities to enforce employer responsibilities directly with service providers, effectively delegating employer responsibilities to the service provider. Such guidance should also include a requirement for pension matters, relating to administration, discretions and risk sharing, to be addressed within the commercial contract with appropriate default positions, where deemed necessary, if matters are not covered by the contract. Such matters to be considered should include but not be limited to the following:

- Basis for setting the pension contributions expected from the service provider including a default position, if the matter is not covered by the commercial contract.
- Process for exercising employer discretions
- Arrangements for financial reporting
- Obligations at the end of the contract
- Roles and responsibilities for practical day to day activities such as:
 - Payment of pension contributions
 - Provision of monthly/annual pension data
 - Provision of new starter and leaver information
 - Arrangements for dealing with ill health retirements

Question 7: Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used? (points 40-41)

In addition to costs arising from any decision made by the service provider, the Funds are of the view that service providers should also be required to pay any additional costs incurred by administering authorities as a result of poor performance in providing data to the administering authority, where de facto responsibility to do so belongs to the service provider.

The Funds would also reiterate the point that, if responsibility for pension strain costs, arising from an employer decision, are to be the responsibility of the service provider, it would also be wise to allow the Fair Deal employer to specify that the service provider take out a bond to cover these payments, in cases of insolvency. Failure to do so would create additional funding risks.

Question 8: Is this the right approach? (retaining the admitted body option) (points 42-43)

For the reasons discussed above, the Funds are of the view that the admitted body option should continue to be the default option with the deemed employer approach being an additional option available to administering authorities. It is the Funds view that risk sharing options should be explicitly allowed for and reflected in admission agreements, in the future.

Question 9: What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or function are outsourced? (points 44-46)

The Funds are not convinced that any legislation or guidance produced solely in the pension environment are guaranteed to have a positive impact on this issue. It is our experience that problems occur during outsourcing initiatives because awarding authorities and particularly contracting managers are either ignorant of or do not give due consideration of pensions legislation. Any further steps to encourage pension issues to be given full and timely consideration will need to be made outside of the pension environment and affect procurement and finance activities more directly. An example of such a measure would be to require the section 151 officer of the Fair Deal employer to certify that consideration of pension implications have been taken before any procurement exercise can be finalised.

Question 10: Are you aware of any other equalities impacts or any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?

No

Question 11: Is this the right approach? (Transferring pension assets and liabilities – points 48-53)

The Funds would be concerned about any prescriptive provisions, in relation to mergers or takeovers that impose one solution for all cases. The Funds would be concerned about cases where assets and liabilities are automatically transferred from a secure and stable employer to a less stable and secure employer. The Funds would also have concerns over a new employer being automatically entitled to participation within a Fund, without being subject to the admissions policy of that Fund, e.g. if the employer is usually of a type for which a bond or guarantee would be required, these provisions should apply to the new employer before allowing them to participate in a Fund.

The Funds would be comfortable with a position where the proposed arrangements are treated as the default option as long as administering authorities are able to prevent the automatic transfer of assets and liabilities, if this is, not unreasonably, deemed inappropriate given the individual circumstances of the case and that the administering authority can insist on triggering a cessation event. This would allow administering authorities to protect the Fund against any materially negative impacts resulting from a merger or takeover. We also believe that the regulations should be drafted as to require any new employer, entering a Fund as a result of such a merger or takeover, should be required to meet the same requirements as any similar new employer entering the Fund other than as a result of a merger or takeover.

Where such an event involves more than one Fund, the direction of movement should not be prescribed by law but should be decided on the circumstances of the case and allow the Funds to not unreasonably protect their own interests and those of its participating employers.

Question 12: Do the draft regulations achieve our aims?

Yes but please see our comments to the previous question. The Funds are of the view that the regulations should be drafted with those concerns in mind.

Question 13: What should guidance issue by the Secretary of State regarding the terms of asset and liability transfers?

The Funds are of the view that any guidance should only be focussed on the key process of agreeing the transfer of assets and liabilities with enough scope for the Fund Actuaries to agree an appropriate methodology and assumptions to be used for calculating the transfer amounts.

In addition the guidance should allow the receiving administering authority to assess the covenant of the incoming employer and request additional security, if appropriate, and revise contribution rates accordingly and allow the Fund to require the payment of a lump sum payment, if the funding position of the employer in the receiving Fund will be materially reduced.

Yours faithfully

Mark Whitby
Head of Pensions
LGSS

On behalf of the Cambridgeshire Pension Fund and Northamptonshire Pension Fund

Please ask for: Mark Whitby
Email: pensions@northamptonshire.gov.uk
Tel: 01604 366537
Our ref: LGPS Late Retirement Consultation
Your ref:
Date: 15 April 2019

Thahira Khatun
Local Government Finance Reform and Pensions
Ministry for Housing, Communities
and Local Government
2/NE, Fry Building
2 Marsham Street
LONDON, SW1P 4DF

LGSS Pensions
One Angel Square
4 Angel Street
Northampton
NN1 1ED

Dear Thahira

**Local Government Pension Scheme
Consultation on the implementation of new Late Retirement Factors**

With reference to the consultation launched on 28 March 2019, I respond on behalf of LGSS Pensions as their Head of Pensions. LGSS Pensions provide the pension administration service to both Cambridgeshire County Council and Northamptonshire County Council, being the administering authorities for the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund respectively.

Removing the Cliff Edge

The proposed methodology does indeed remove the stark cliff edge effect that was experienced by members at the 2017 change; it smooths the effect of a change in the rate of Late Retirement increase since it takes into account the current Late Retirement methodology and 'linear' factors up to the point of the change.

Other policy choices in methodological approach

I do not have any comments about the specific assumptions made in formulating the factors, but would say that avoiding volatility and constant changes in factors would be appreciated.

Implementing the new approach and factors

The stated proposal is that the new guidance and factors will apply to all retirements from 1 May 2019 and that there is to be no recommendation to backdate the methodology.

I support the methodology not being backdated, however I note that there is no mention of a 3 month delay/lead in period to the new guidance applying as there was for the 2017 change, but believe that including one in the recommendation to your Minister is being considered .

Such a delay/lead in period may have had merit in the context of the 2017 change as members potentially had an opportunity to avoid the universal cliff edge reduction to the level of their increases. The change being proposed now, however, is rather different; there is no universal reduction but a far more nuanced effect on members' benefits, whereby some will see an increase and others a reduction to what they would have under the current methodology and factors.

I therefore question whether there is a need for any delay/lead in period this time, since the new methodology removes the stark cliff edge that led to such disquiet previously. With this particular change, a hard 3 month delay/lead in period may actually create its own problems and potentially lead to challenges; my concern is that it is the oldest members who would be most impacted by such a delay in implementation as their annual pension factors are improving and, say, one attaining age 75 in the delay/lead in period would have no options available that would allow them to benefit from the, by then, already published methodology and factors.

My preference would be for a clear, immediate, introduction of the new factors and methodology. In my view the new methodology provides sufficient mitigation to the effects of the changes in rates without requiring a 3 month delay/lead in period. This approach would also provide clarity from a communication perspective when dealing with members, and removes the prospect of a rush of speculative, time critical, enquiries regarding retiring before the factors take effect.

Finally, in the draft guidance document itself and the examples, NPA (Normal Pension Age) seems to be used interchangeably with NRA (Normal Retirement Age). In paragraph 2.1 of the guidance, rather than referring to 'service before 1 April 2014' and 'service on or after 1 April 2014' when distinguishing between categories, it may be helpful to keep a clear distinction between:

- a) Benefits under the LGPS Regulations 2013 which have a Normal Pension Age equal to the member's State Pension Age (with a minimum of age 65), and
- b) Benefits under the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, and Regulations that are defined in there as the Earlier Regulations and includes those that apply to councillor members, which have a Normal Retirement Age of 65.

I trust that this response proves helpful and look forward to the outcome of the consultation and the introduction of the new late retirement guidance and factors in due course.

Yours faithfully,



Mark Whitby FPMI, CPFA
Head of Pensions
LGSS Pensions

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

13th June 2019

Report by: Head of Pensions

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

1. Background

- 1.1 One of the core functions of the Pension Fund Committee 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 Committee.

2. Administration Reporting

2.1 Variances against the forecast of investments and administration expenses

- 2.1.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2019.

2.2 Key Performance Indicators – LGSS Pensions

- 2.2.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2.2 For the period 1st February to 30th April 2019 the Fund has met all targets. The detail surrounding the performance of the service can be found in **appendix 2**.

2.3 Receipt of Employee and Employer Contributions

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

2.3.2 The table in **appendix 3** 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 April 2018 to 31st March 2019

2.3.3 Details of late paying employers for January, February and March 2019 can be found in the **private and confidential appendix (appendix 4)** of the report.

2.4 Breaches of the Law

2.4.1 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. 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.

2.4.2 Breaches that have been identified for the period 1st March – 30th April 2019 have been listed below (please note – this excludes late payment of contributions as this is covered in appendix 3 and 4) –

| Type of Breach | Detail of Breach | Course of action |
|-----------------------|------------------|------------------|
| Material Breaches | None | N/A |
| Non Material Breaches | None | N/A |

2.5 Internal Dispute Resolution Procedure

2.5.1 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.

2.5.2 Cases within the IDRP process for the period 1st March to 30th April 2019 can be found in the tables below:

2.5.3 Stage 1 disputes:

| | | |
|--|---|-----------------------------------|
| No. of disputes brought forward from 2018/19: | 1 | Stage 1 Decisions: None |
| No. of disputes raised in the year at 30/4/2019: | 0 | |
| No. of disputes resolved in the year at 30/4/2019: | 0 | |
| No. of disputes in progress at 30/4/2019: | 1 | |

2.5.4 Stage 2 disputes:

| | Scheme Employer | Admin Authority | Stage 2 Decisions: None |
|--|-----------------|-----------------|-----------------------------------|
| No. of disputes brought forward from 2018/19: | 1 | 2 | |
| No. of disputes raised in the year at 30/4/2019: | 0 | 0 | |
| No. of disputes resolved in the year at 30/4/2019: | 0 | 0 | |
| No. of disputes in progress at 30/4/2019: | 1 | 2 | |

2.5.5 Disputes escalated to The Pensions Ombudsman (TPO)

| | Scheme Employer | Admin Authority | TPO Decisions: None |
|--|-----------------|-----------------|-------------------------------|
| No. of disputes brought forward from 2018/19: | 1 | 1 | |
| No. of disputes raised in the year at 30/4/2019: | 0 | 0 | |
| No. of disputes resolved in the year at 30/4/2019: | 0 | 0 | |
| No. of disputes in progress at 30/4/2019: | 1 | 1 | |

2.6 Large overpayments – over £3K

- 2.6.1 An overpayment was identified due to the pension's service not being notified of the death of a pensioner at the appropriate time. The period of the overpayment was from 3rd August 2017 to 28th February 2018, and equated to £10,026.38 net. The death certificate was received by the pension's service on 12th April 2019 following several chaser letters and the overpayment was subsequently requested in May 2019.

3. Relevant Pension Fund Objective

| |
|--|
| 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. Risk Management

- 4.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority (LGSS Pensions). The Pension Fund Committee and Local Pension Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.
- 4.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

| Risk No. | Risk | Residual risk rating |
|-----------------|---|-----------------------------|
| 5 | Information may not be provided to stakeholders as required. | Green |
| 7 | Those charged with governance are unable to fulfil their responsibilities effectively | Green |
| 16 | Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making | Green |

- 4.3 The Fund's risk register can be found on the LGSS Pensions website at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. 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. |
|---------------------------------------|--|

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 Not applicable

11. Appendices

- 11.1 Appendix 1 Variances against the forecast of investments and administration expenses
11.2 Appendix 2 Key Performance Indicators – LGSS Pensions
11.3 Appendix 3 Receipt of Employee and Employer Contributions
11.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | No |
| Will further decisions be required? If so, please outline the timetable here | No |
| Is this report proposing an amendment to the budget and/or policy framework? | No |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 20 th May 2019 |
| Has the Chairman of the Pension Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan – 29 th May 2019 |

Appendix 1 – LGSS Pensions Administration Report

Variances against the forecast of investments and administration expenses – based on original setting of assumptions

| Fund Account | 2019-20 Estimate | 2019-20 Forecast | Variance | Comments |
|---|------------------|------------------|-------------|--------------------|
| | £000 | £000 | £000 | |
| Contributions ¹ | 131,000 | 131,000 | - | |
| Transfers in from other pension funds ² | 4,200 | 4,200 | - | |
| Total income | 135,200 | 135,200 | - | |
| Benefits payable ¹ | (105,000) | (105,000) | - | |
| Payments to and on account of leavers ² | (9,100) | (9,100) | - | |
| Total Payments | (114,100) | (114,100) | - | |
| | 21,100 | 21,100 | - | |
| Management Expenses | (10,040) | (10,075) | (35) | See analysis below |
| Total income less expenditure | 11,060 | 11,025 | (35) | |
| Investment income | 36,000 | 36,000 | | |
| Taxes on income (profit) and losses on disposal of investments and changes in the market value of investments | - | - | | |
| | 84,000 | 84,000 | | |

| Management Expenses | 2019-20 Estimate | 2019-20 Forecast | Variance | Comments |
|----------------------------------|------------------|------------------|-------------|--------------------|
| | £000 | £000 | £000 | |
| Total Administration Expenses | (2,930) | (2,965) | (35) | See analysis below |
| Total Governance Expenses | (550) | (550) | - | |
| Total Investment Expenses | (6,560) | (6,560) | - | |
| Total Management Expenses | (10,040) | (10,075) | (35) | |

| Administration Expenses Analysis | 2019-20 Estimate | 2019-20 Forecast | Variance | Comments |
|--------------------------------------|------------------|------------------|-------------|------------------------------------|
| | £000 | £000 | £000 | |
| Staff Related | (1,400) | (1,400) | - | |
| Altair System and payroll system | (310) | (310) | - | |
| Data Improvement Projects | (440) | (440) | - | |
| Communications | (30) | (30) | - | |
| Other Non-Pay and Income | (120) | (120) | - | |
| County Council Overhead Recovery | (630) | (665) | (35) | External overheads have increased. |
| Total Administration Expenses | (2,930) | (2,965) | (35) | |

Appendix 2 - Key Performance Indicators – LGSS Pensions February, March and April 2019

| Function/Task | Indicator | Target | Completed | Within Target | Over Target | % Within Target | RAG | Comments |
|---|--|--------|--|------------------|-------------|----------------------|-------------------------|--|
| Notify leavers of deferred benefit entitlement | Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information. | 90% | February: 93 March: 150 April: 124 | 93 150 122 | 0 0 2 | 100% 100% 98% | Green Green Green | SLA target met SLA target met SLA target 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% | February: 27 March: 22 April: 29 | 26 22 29 | 1 0 0 | 96% 100% 100% | Green Green Green | SLA target met SLA target met SLA target met |
| Award dependant benefits – Statutory | Issue award within 5 working days of receiving all necessary information. | 95% | February: 29 March: 20 April: 25 | 29 20 25 | 0 0 0 | 100% 100% 100% | Green Green Green | 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% | February: 82 March: 75 April: 62 | 82 75 61 | 0 0 1 | 100% 100% 98% | Green Green Green | SLA target met SLA target met SLA target met |
| Provide transfer-in quote to scheme member – Statutory | Letter issued within 10 working days of receipt of all appropriate information. | 95% | February: 20 March: 16 April: 19 | 20 16 18 | 0 0 1 | 100% 100% 95% | Green Green Green | SLA target met SLA target met SLA target met |
| Payment of transfer out – Statutory | Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment. | 90% | February: 6 March: 2 April: 9 | 6 2 9 | 0 0 0 | 100% 100% 100% | Green Green Green | 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 3 - 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 |
|---------------------------|-----------------------------------|-----------------------------|---|--|
| April 2018 | 97.8 | 2.2 | 95.0 | 5.0 |
| May 2018 | 96.7 | 3.3 | 96.9 | 3.1 |
| June 2018 | 99.8 | 0.2 | 98.7 | 1.3 |
| July 2018 | 99.6 | 0.4 | 98.7 | 1.3 |
| August 2018 | 98.4 | 1.6 | 98.5 | 1.5 |
| September 2018 | 99.5 | 0.5 | 97.2 | 2.8 |
| October 2018 | 99.3 | 0.7 | 96.7 | 3.3 |
| November 2018 | 100 | 0 | 99.6 | 0.4 |
| December 2018 | 99.3 | 0.7 | 99.4 | 0.6 |
| January 2019 | 99.8 | 0.2 | 99.6 | 0.4 |
| February 2019 | 100 | 0 | 99.6 | 0.4 |
| March 2019 | 99.4 | 0.6 | 98.4 | 1.6 |
| Average for period | 99.1 | 0.9 | 98.1 | 1.9 |

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|---|
| Subject: | Data Improvement Plan Progress Report |
| Purpose of the Report | To present to the Pension Fund Committee a report that details progress made against the Pension Fund Data Improvement Plan. |
| Recommendations | The Committee is asked to note the contents of the report. |
| Enquiries to: | Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk |

1. Background

- 1.1 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.2 The Public Service Pensions Act 2013 (effective from 1 April 2014) increased the powers of the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration.
- 1.3 The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a Data Improvement Plan to address any issues.
- 1.4 To demonstrate to the Pensions Regulator that the Fund has reviewed the quality of its data and has an ongoing approach to ensuring appropriate processes are in place to consistently hold accurate data, a Data Improvement Policy and a Data Improvement Plan has been established.
- 1.5 This report is to provide the Pension Fund Committee with details of the progress made against the Data Improvement Plan and will be presented at each meeting.
- 1.6 A summary of the items on the Data Improvement Plan can be found in appendix 1.

2. Data Improvement Plan Activities

- 2.1 The activities on the Data Improvement Plan that are currently in progress are as follows:

| | Data Improvement Activity | Purpose | Original timescale for action | Revised timescale | Comments |
|---|--|---|--------------------------------------|-----------------------------|--|
| 1 | Resolution of awaiting entry records to correct membership status | To ensure that all members showing as awaiting entry are genuine, and to convert to the appropriate membership status where this is not the case. | 1/4/19 - 31/3/20 | 1/9/19 – 31/3/20 | Action rescheduled but no impact on completion date. |
| 2 | Rectification of pensions increase errors | To resolve inaccurate pensions in payment on the pensioner payroll due to incorrect Pensions Increase being applied. | 1/12/18 – 28/2/19 | 1/4/19 – 31/8/19 | Timescale for completion has been extended to allow for the completion of the activity number 8 as the financial impact in that activity is greater on both the Fund and the scheme member. Further detail provided in section 2.4. |
| 3 | Resolution of common data fails identified in the 2018 Data Audit | To resolve common data fails identified in the 2018 data audit. | 1/1/19 – 31/3/19 | 1/1/19 – 31/7/19 | Progress to date: 9.59% of common data errors resolved. This includes rectification of: Missing, temporary or invalid National Insurance Numbers. Missing or inconsistent forenames and initials. Missing or inconsistent gender. Duplicate National Insurance Numbers but different surname and/or date of birth. Progression of activities 1, 5 and 9 will further reduce the number of common data errors. |
| 4 | Resolution of scheme specific data fails identified in the 2018 Data Audit | To resolve scheme specific data fails identified in the 2018 data audit. | 1/1/19 – 31/3/19 | 1/6/19 – 31/3/20 | Timeline for completion of this activity has been delayed to allow for the completion of activity number 8 as the financial impact in that activity is greater on both the Fund and the scheme member. There are 10,720 scheme specific data errors. Progression of activities 1, 2 5 and 7 will reduce the number of scheme specific errors. |
| 5 | Resolution of unprocessed leaver records | To process all the unprocessed leaver benefits | New baseline agreed 1/1/19 – | Unchanged From new baseline | Further detail provided in section 2.2. |

| | | | | | |
|---|---|---|--|---|--|
| | | in accordance with the member's entitlement under the LGPS regulations. | 31/12/20 | | |
| 6 | Contracted-out liabilities reconciliation | To compare contracted-out liabilities held on scheme records with that held by Her Majesty's Revenue and Customs (HMRC). | All queries to be submitted to HMRC by 31/12/18. | Deadline of submission of queries to HMRC achieved. | HMRC were scheduled to respond to queries by April 2018. This has now been extended to June 2019. This will change the timescales for activity and completion of activity 7. Percentage of queries outstanding with HMRC = 10% Percentage of queries to be resolved by HMRC = 3% Percentage of records fully reconciled = 87% |
| 7 | Contracted-out liabilities rectification | To correct any variances to pensions in payment as a result of activity 6 | Contract awarded to ITM Limited to undertake this activity on 1 April 2019. | Completion is dependent on HMRC processing all remaining queries. | See activity 6. More information on timescales will be supplied once HMRC have responded to all queries. |
| 8 | Pensioner Payroll vs Pensions Administration reconciliation and rectification | To resolve variances in the amount of pension in payment on the pensioner payroll with that held on the administration record. | 1/8/17 – 31/3/19 | Project completed on 5/4/19 | Further detail provided in section 2.3. |
| 9 | Member tracing and mortality screening | To ensure all membership records where a liability is held has a current or home address or is marked as gone away where attempts to trace the member have been unsuccessful. | Pending award of contract following procurement of a supplier of screening services via the National LGPS Frameworks | Contract to commence 3/6/19 following mini-competition. | 4,739 members' address records have been cleansed to facilitate the effectiveness of the tracing. Updates will be provided on the effectiveness (including cost) on a regular basis. |

2.2 Resolution of unprocessed leaver records

2.2.1 Progress to date on this activity is detailed in the tables below.

| Activity description | Start Date | Due Date | Completed | Comments | RAG Status |
|---|------------|----------|-----------|--|------------|
| Request missing leaving certificates from scheme employers (Single Deferred Benefit (DB)) | Jan 19 | Apr 19 | Complete | | G (Green) |
| Request missing leaving certificates from scheme employers (Multi DB) | Jan 19 | Feb 19 | Complete | | G |
| Process Multi DB casework. | May 19 | Nov 19 | | To be processed by Aon Hewitt. | A (Amber) |
| Request missing leaving certificates from scheme employers (Amalgamations) | Jun 19 | Sep 19 | | | G |
| Design processing solution for Amalgamation casework | Sep 19 | Oct 19 | | Requires outcomes from Multi DB processing. | G |
| Process Amalgamation casework | Jan 20 | Dec 20 | | | G |
| Process remaining Refund and Single DB cases as leaving certificates received | Jan 19 | Oct 19 | | Risk certificates remain outstanding from scheme employers | A |

2.2.2 From the baseline position 999 unprocessed leaver cases have now been completed.

| Benefit Type | Refunds | Deferred Benefit (single) | Deferred Benefit (multi) | Amalgamation | Total |
|-------------------|---------|---------------------------|--------------------------|--------------|-------|
| Baseline | 507 | 442 | 1,492 | 3,382 | 5,823 |
| April 2019 | 297 | 280 | 1,276 | 2,971 | 4,824 |

2.3 Pensioner Payroll vs Pensions Administration reconciliation and rectification

2.3.1 During the initial reconciliation stage that ran between August and December 2017 1,123 out of the 1,614 initial variances were found to be correctly in payment, requiring only amendments to the administration record to correct the apparent variance.

2.3.2 The opening position for the rectification stage of the project which commenced in January 2018 was a total of 491 cases. During the rectification of the 491 cases 162 have been found to be correctly in payment leaving only 329 variances resulting in either an underpayment or overpayment of pension that required rectification.

2.3.3 The following tables provide further detail on the cases processed.

| | |
|--|-------|
| Initial Variances | 1,614 |
| Variances at commencement of rectification stage | 491 |
| Current Variances | 329 |

| | |
|---------------------|-----|
| Fully Reconciled | 321 |
| Variances Remaining | 8 |

| Overpayments | | Underpayments | |
|--|-----|--|-----|
| Initial Variances | 933 | Initial Variances | 681 |
| Variances at commencement of rectification stage | 236 | Variances at commencement of rectification stage | 255 |
| Valid Variances | 90 | Valid Variances | 239 |
| Fully Reconciled | 85 | Fully Reconciled | 236 |
| Variances Remaining | 5 | Variances Remaining | 3 |

| Overpayment Recovery/Written Off | |
|---|----|
| Repaid in Full | 3 |
| Ongoing Deductions | 32 |
| Small Overpayment Written Off in line with Policy | 13 |
| Written Off due to interaction with contracted-out project | 15 |
| Written Off as member is deceased | 1 |
| Written Off due to the Limitation Act | 1 |
| Written Off following Internal Dispute Resolution Procedure | 2 |
| Correspondence Ongoing | 16 |
| IDRP Stage 2 Ongoing | 2 |

2.3.4 The 8 cases yet to be reconciled will be dealt with under the contracted-out rectification project (activity number 7), due to their interaction with this project.

2.4 Rectification of pensions increase errors

The following tables provide detail on the cases processed.

| | Records Affected | Members Affected |
|---------------------|------------------|------------------|
| Initial Errors | 605 | 348 |
| Fully Reconciled | 150 | 111 |
| Overpayments Found | 25 | 25 |
| Underpayments Found | 76 | 75 |
| Errors Remaining | 455 | 237 |

| Overpayment Recovery/Written Off | |
|--|----|
| Ongoing Deductions | 1 |
| Small Overpayment Written Off in line with Policy | 22 |
| Written Off due to interaction with contracted-out project | 1 |
| Correspondence Ongoing | 1 |

2.5 Resolution of common data fails identified in the 2018 Data Audit

The table overleaf provides detail on the number of members that fail each test as reported in the Pensions Regulator mandatory annual return for 2018.

| Data Fail | Errors | Investigated | Rectified | Comments |
|---|---------------|---|------------------|--|
| Missing/Temporary/ Invalid NI Number | 644 | 644 | 62 | 232 further members written to requesting information. |
| Missing/Inconsistent Forename & Initial | 19 | 19 | 19 | |
| Missing/Inconsistent Gender | 74 | 74 | 74 | |
| Missing/Inconsistent Date of Birth | 1 | 1 | 1 | |
| Missing/Inconsistent Pensionable Service Start Date | 773 | | | 618 of these records will be resolved following completion of activity 1, a further 15 in activity 5. |
| Missing Address | 6,431 | 4,739 members' address records have been cleansed to facilitate the effectiveness of activity 9. | | To be resolved following completion of activity 9. |
| Missing Postcode | 2,880 | | | |
| Duplicate NI Number, Different Surname and/or Date of Birth | 235 | 235 | 178 | |
| Unprocessed Leaver Records | 8,427 | To be processed in activity 5 detailed in section 2.2 | | 8,171 of these records had no other Common Data fails. |
| Awaiting Entry Records | 786 | To be processed in activity 1. | | 48 of these records had no other Common Data fails. |

2.6 Resolution of scheme specific data fails identified in the 2018 Data Audit

The table below provides detail on the number of members to fail each test.

| Data Fail | Errors | Comments |
|--|---------------|---|
| Missing Salary for one of last 5 periods | 1,520 | No impact on the amount of pension in payment. |
| Missing/Inconsistent Date of Leaving | 1,296 | No impact on the amount of pension in payment. |
| Missing/Inconsistent Preserved Pre 88 and Post 88 GMP | 3,884 | To be resolved following completion of activities 6 & 7. |
| Missing Spouse Pension for In- Payment Members | 3,076 | No impact on the amount of pension in payment. |
| Missing/Inconsistent In-Payment Pre 88 and Post 88 GMP | 4,934 | To be resolved following completion of activities 6 & 7. |
| Missing Dependant Pension | 1,412 | No impact on pension in payment as the data is missing from a field that does not affect this. |

There are a further 28 issues with smaller volumes of records affected in each category, totalling 2,500 errors.

3. Relevant Fund objectives

| |
|---|
| Continually monitor and measure clearly articulated objectives through business planning. |
| Maintain accurate records and ensure data is protected and used for authorised purposes only. |

4. Risk Management

4.1 The Pension Fund Committee approved the Data Improvement Policy and Data Improvement Plan in October 2018 and officers will keep both documents under constant review. The plan details the identified data improvement activities that need to be undertaken and the progress of these activities is reported through the Data Improvement Plan Progress report presented to the Pension Fund Committee and Local Pension Board at every meeting.

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

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

4.3 The Fund's full risk register can be found on the Fund's website at the following link: <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

5. Communication Implications

| | |
|-----------------------|---|
| Direct Communications | The Data Improvement Plan Progress report will be presented to the Pension Fund Committee at its quarterly business meetings. |
|-----------------------|---|

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 Data Improvement Policy and Data Improvement Plan
<https://cmis.cambridgeshire.gov.uk/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/791/Committee/16/Default.aspx>

11. Appendices

11.1 Appendix 1 – Data Improvement Activities

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | No |
| Will further decisions be required? If so, please outline the timetable here | No |
| Is this report proposing an amendment to the budget and/or policy framework? | No |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 23 rd May 2019 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan – 29 th May 2019 |

Appendix 1 – Full list of data improvement activities for the 2018/19 and 2019/20 financial years.

| Key action/task | Nov 18 | Dec 18 | Jan 19 | Feb 19 | Mar 19 | Apr 19 | May 19 | Jun 19 | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Resolution of awaiting entry records to correct membership status | | | | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Resolution of unprocessed leaver records | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Contracted out liabilities reconciliation | ✓ | ✓ | | | | | | | | | | | | | | | |
| Contracted out liabilities rectification – duration to be confirmed following end of reconciliation stage | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Rectification of Pensions Increase errors | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| Pensioner Payroll vs Pensions Administration reconciliation and rectification | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | |
| Member tracing and mortality screening – duration to be confirmed following procurement process | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Resolution of common data fails identified in the 2018 Data Audit | | | ✓ | ✓ | ✓ | | | | | | | | | | | | |
| Resolution of scheme specific data fails identified in the 2018 Data Audit | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|---|
| Subject: | Pension Fund Annual Business Plan Update report 2019/20 |
| Purpose of the Report | To present the Pension Fund Business Plan Update for the period from 1st April to 31st May 2019 to the Pension Fund Committee. |
| Recommendations | The Pension Fund Committee are asked to note the Pension Fund Business Plan Update for the period ending 31st May 2019 of the 2019/20 financial year. |
| Enquiries to: | Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk |

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period up to 31st May 2019 of the 2019/20 Business Plan, which was approved by the Pensions Committee on 28th March 2019.
- 1.2 A full list of the key fund activities for the 2019/20 financial year can be found in appendix 1 of this report.

2. Key Pension Fund Activities

2.1 Service Delivery (SD)

| Reference | Key action/task | 2019/20 | | | |
|-----------|--|---------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| SD1 | Monitor staffing levels in line with organisational reform | ✓G | | | |

2.1.1 SD1 - Monitor staffing levels in line with organisational reform

Action - Keep under review the ability to recruit and retain staff during the forthcoming period of organisational reform with regards to the future shape of LGSS and local government in Northamptonshire anticipated in 2020. The Pension Fund Committee will be kept informed of all developments in this area.

Update – LGSS Pensions has been at full budgeted establishment since 23rd April and staffing levels will continue to be monitored throughout the year.

On target for completion? Yes.

2.2 Governance and compliance (GC)

| Reference | Key action/task | 2019/20 | | | |
|-----------|---|---------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| GC2 | Procure a supplier of mortality screening and member tracing services and process results | ✓G | | | |
| GC5 | Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution providers | ✓G | | | |
| GC7 | Complete the Guaranteed Minimum Pension reconciliation project with rectification of members' records | ✓G | | | |

2.2.1 GC2 - Procure a supplier of mortality screening and member tracing services and process results

Action - The Fund needs to procure a mortality screening and member tracing service to ensure scheme member records are accurate and up to date to comply with prevailing legislation on data quality. Having the ability to access up to date information on members of the scheme who pass away and move address via these services will significantly improve the quality of the data held and increase the Fund's data quality score. The procurement of these services will be conducted on a joint basis with Cambridgeshire Pension Fund via the National Local Government Pension Scheme (LGPS) Frameworks.

Update – The Request for Further Competition to appoint a supplier of member tracing services and mortality screening under the National Frameworks was issued on 9th April 2019 with final responses required by 7th May 2019.

Of the suppliers on the Framework that expressed an interest in supplying services to the Cambridgeshire and Northamptonshire Funds, each supplier was evaluated against the criteria set and an award was made during the week commencing 20 May 2019. At the time of writing this report it was not possible to publically announce who the contract was awarded to but this will be confirmed verbally at this meeting.

Detailed analysis of the improvements made to the quality of the Fund's data as a result of these contracts will be reported to the Pension Fund Committee as part of the Data Improvement Plan at each meeting.

On target for completion? Completed.

2.2.2 GC5 - Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution (AVC) providers

Action - The Fund has a responsibility to ensure that the range of investment choices

offered by their AVC providers remain suitably diverse and appropriate in terms of annual charges and risk profiles. As such, the Fund appointed an external adviser, Aon, to review and report on the fund ranges offered by the Fund's AVC providers Standard Life and Prudential.

Update – The findings of this review will be discussed at the July 2019 meeting of the Pension Fund Committee and actions resulting from the recommendations from the report will commence thereafter.

On task for completion? Yes

2.2.3 GC7 - Complete the Guaranteed Minimum Pension reconciliation project with rectification of members' records

Action - Following the introduction of the end of contracting-out on 6th April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by Her Majesty's Revenue and Customs (HMRC). Failure to record the correct data for individual scheme members could result in schemes having to pay benefits in respect of members for which they do not have a liability. The Fund outsourced the reconciliation stage of this project to ITM Limited and it is estimated to complete in April 2019 when HMRC have responded to all queries that have been raised. The next stage will be to rectify any errors with the data held by the Fund.

Due to the number of member records estimated to require rectification, it is proposed that ITM Limited will be procured jointly with Northamptonshire Pension Fund via direct award from the National LGPS Framework for Third Party Administration Services to complete this stage.

Update – The Pension Fund Committee approved the appointment of ITM Limited to complete the rectification stage of this project at the March 2019 meeting. ITM Limited are currently still processing queries raised with HMRC and are preparing their systems for when all queries are resolved. Further information on this activity can be found in the Data Improvement Plan Update report.

On task for completion? Yes.

2.3 Communications, Systems and Employer Management (CSEM)

| Reference | Key action/task | 2019/20 | | | |
|-----------|---|---------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| CSEM1 | Incorporate employer covenant monitoring into the valuation cycle | ✓G | | | |
| CSEM2 | Develop and implement a digital communications strategy | ✓G | | | |
| CSEM4 | Implement monthly data collection for all employers | ✓G | | | |
| CSEM5 | Manage the 2019 valuation | ✓G | | | |

2.3.1 CSEM1 – Incorporate employer covenant monitoring into the valuation cycle

Action - With an increasing number and variety of employers in the Fund, employer management is becoming one of the biggest challenges in managing a Fund. Assessing an employer's covenant (its ability to support its pension liabilities now and in the future) is an important step in ensuring the security of the Fund, informing both investment and funding decisions allowing appropriate risks to be taken. The Pensions Regulator recommends that a targeted approach is taken to assessing and monitor employer covenant and that, as a minimum, this should be carried out for appropriate employers at each valuation. The Fund's Actuary has been engaged to carry out covenant assessments on behalf of the Fund and this will be incorporated into the valuation cycle.

Update – A process has been agreed with the Fund Actuary for carrying out covenant assessments. Data has been provided for the first stage of covenant monitoring which involves ranking the relative risk level of each employer according to actuarial factors including funding level, size of deficit compared to size of payroll, contract length (if applicable), remaining number of members and other similar factors. This will identify the most risky employers who will then undergo further covenant assessments. The results of these assessments will be factored into the process of setting employer contribution rates.

On task for completion? Yes.

2.3.2 CSEM2 - Develop and implement a digital communications strategy

In order to better engage with members and employers, improve efficiency, data security and reduce costs the Fund requires a digital communications strategy. This will set the Funds approach to using digital communications channels to engage with scheme members and employers. It will provide detail on the Fund's digital communication objectives, what communication channels will be used to achieve these objectives and in what circumstances. It will also provide guidance on best practice for such communications.

Update – A Communications Officer has now been appointed and inducted into the service and have commenced work on developing a Digital Communications Strategy which will be brought to the October Pension Fund Committee for approval.

On task for completion? Yes.

2.3.3 CSEM4 - Implement monthly data collection for all employers

Action - The Fund needs to collect and hold up to date, accurate records of members benefits to respond to the number of members using their online pension account to monitor their current pension benefits and obtain pension estimates. This requires the monthly collection of member data from employers. Some large employers already use i-connect to submit their data on a monthly basis, but, this must be rolled out to all employers. Monthly data will improve the efficiency of the data collection process, provide improvements in the quality of data received and improve the service provided to scheme members.

Update – The first phase of moving employers to monthly reporting was carried out between January and March. There were 22 employers, mainly Parish Council's that received training on the new process and were successfully set up to use the new online data portal for monthly submissions and have been submitting data via this channel. In

addition to the employers and payroll providers already using the automated i-connect extract, 73% of members data is now received on a monthly basis. It is planned to on-board another 80 employers over the next few months.

On task for completion? Yes.

2.3.4 CSEM5 - Manage the 2019 valuation

Action - The Fund must be valued on a triennial basis with employer contribution rates set for the following 4 years. The last valuation was carried out in 2016 and the current valuation will be carried out as at 31st March 2019 with whole Fund results issued in the summer of 2019 and individual employer results and contribution strategies issued in the winter with the new rates coming into effect from 1st April 2020.

Update – A separate report will be presented to the Committee at this meeting providing an update on the valuation process.

On task for completion? Yes.

2.4 Operations (OPS)

| Reference | Key action/task | 2019/20 | | | |
|-----------|--|---------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| OPS1 | Processing of undecided leavers | ✓G | | | |
| OPS2 | Design a range of customer experience key performance indicators | ✓G | | | |

2.4.1 OPS1 – Processing of undecided leavers

Action - The Fund has a number of undecided leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award.

Update – Progress in this area is included in the Data Improvement Plan Update report.

On task for completion? Yes.

2.4.2 OPS2 - Design a range of customer experience key performance indicators

Action - The Fund's current Key Performance Indicators (KPIs) focus on the performance of the scheme administrator. As part of improving customer excellence, the Fund is committed to understand and report on the customer experience associated with key casework procedures.

Update – LGSS Pensions is currently outlining and designing the process which will be used to monitor the customer service experience for the member. This will include creating new KPIs to monitor performance of the Pension Fund.

On task for completion? Yes.

2.5 Investments, accountancy and cash flow management (IA)

| Reference | Key action/task | 2019/20 | | | |
|-----------|---|---------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 |
| IA1 | Continue development of the asset pool | ✓G | | | ✓ |
| IA3 | Implement the cash management policy | ✓G | | | |
| IA10 | Consider multi-fund investment strategies | ✓G | | ✓ | |

2.5.1 IA1 - Continue development of the asset pool

Action - The ACCESS asset pool development is a long-term project currently focussed on establishing liquid asset sub-funds, with expansion into alternative asset classes in the later part of 2019/20.

Update -

- **Complete recruitment of the ACCESS Support Unit.** The position of Programme Director to the ACCESS Support Unit remains vacant following the withdrawal of the preferred candidate at the offer stage. Alternative options are now being considered.

On task for completion? Slippage into the next reporting period is expected.

- **Complete on boarding of tranches 3, 4 and 5 sub funds.** The ACCESS On-boarding Sub-group (OBSG) reported to the 18th March 2019 ACCESS Joint Committee that the programme delivery of these tranches is on target.

On task for completion? Yes.

- **Complete non listed / illiquid assets.** The ACCESS On-boarding Sub-group reported to the 18th March 2019 ACCESS Joint Committee that following receipt of legal advice the OBSG would undertake consultations with Fund managers on potential structures for the provision of the pooling of illiquid assets. A report will be submitted to the 11th June 2019 Joint Committee on progress to date.

On task for completion? Yes.

2.5.2 IA3 - Implement the cash management policy

Action – The Pension Fund Committee at the March 2019 meeting approved the Fund's revised cash management policy. Implementation of this policy includes the use of an online cash monitoring and management application.

Update – The Fund has implemented a treasury application (PS Live) which facilitates forecasting and monitoring fund bank balances, through known activities and trends for the financial year, updating with actual experiences as they arise. The enhanced process

combined with regular monitoring of investment as well as funding cash pressures provides an oversight and management of cash to facilitate efficient deployment of surplus funds to investment. The 2018-19 financial year was modelled to inform the process which is now operating live in 2019-20.

On task for completion? Completed.

2.5.3 IA10 - Consider multi-fund investment strategies

Action - Following the introduction of HEAT, the Hymans Employer Asset Tracker, the Committee agreed to consider the introduction of multiple investment strategies that could take account of the varying requirements of different classes of scheme employer.

Update -

- **Develop proposal with professional advisors.** The Fund's Actuary Hymans has provided information for officers to consider, following which further consultations with the Fund's professional advisers will be undertaken to inform the Funding Strategy Statement for quarter 3.

On task for completion? Yes.

- **Funding Strategy Statement (FSS) to be approved by the Committee.** The Pension Fund Committee will be asked to approve the FSS in October 2019.

On task for completion? Yes.

3. Relevant Fund objectives

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

4. Risk Management

- 4.1 The Pensions 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 Pensions Committee and Local Pension Board at every meeting.
- 4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

| Risk No | Risk | Residual risk rating |
|---------|---|----------------------|
| 7 | Those charged with the governance are unable to fulfil their responsibilities effectively | Green |
| 13 | The scheme would not be administered in line with regulations and guidance | Green |
| 15 | Pension Fund objectives not defined and agreed | Green |

- 4.3 A full version of the Fund risk register can be found at the following link -
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. Communication Implications

| | |
|------------------------------|---|
| Direct Communications | The Business Plan Update will be presented to the Pension Fund Committee 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 Annual Business Plan and Medium Term Strategy 2019/20 –
<https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/954/Committee/16/Default.aspx>

11. Appendices

- 11.1 Appendix 1 – Full list of Key Fund Activities for the 2019/20 financial year.

| Checklist of Key Approvals | |
|--|--|
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 21 st May 2019 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Rogers– 30 th May 2019 |
| Has this report been cleared by Monitoring Officer? | Fiona McMillan – 29 th May 2019 |

Appendix 1 – Full list of Key Fund Activities for the 2019/20 financial year.

Service Delivery

| Reference | Key action/task | 2019/20 | | | | Medium term | |
|-----------|--|---------|----|----|----|-------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | 2020/21 | 2021/22 |
| SD1 | Monitor staffing levels in line with organisational reform | | | ✓ | | | |
| SD2 | Retain Customer Service Excellence standard accreditation | | ✓ | | | ✓ | |

Governance and Compliance

| Reference | Key action/task | 2019/20 | | | | Medium term | |
|-----------|--|---------|----|----|----|-------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | 2020/21 | 2021/22 |
| GC1 | Procure a supplier of specialist legal advice | | | ✓ | | | |
| GC2 | Procure a supplier of mortality screening and member tracing services and process results | ✓ | | | | | |
| GC3 | Obtain proof of continued existence of scheme members residing overseas | | ✓ | | | | |
| GC4 | Re-procurement for administration and payroll system | | | | | ✓ | |
| GC5 | Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution providers | | | ✓ | | | |
| GC6 | Scope potential liability reduction exercises | | | | ✓ | | |
| GC7 | Complete the Guaranteed Minimum Pension reconciliation project with rectification of members records | | | ✓ | | | |

Communications, Systems and Employer Management

| Reference | Key action/task | 2019/20 | | | | Medium term | |
|-----------|---|---------|----|----|----|-------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | 2020/21 | 2021/22 |
| CSEM1 | Incorporate employer covenant monitoring into the valuation cycle | ✓ | | | | | |
| CSEM2 | Develop and implement a digital communications strategy | | ✓ | | | | |
| CSEM3 | Review cyber resilience | | | | ✓ | | |
| CSEM4 | Implement monthly data collection for all employers | | ✓ | | | | |
| CSEM5 | Manage the 2019 valuation | | | ✓ | | | |

Operations

| Reference | Key action/task | 2019/20 | | | | Medium term | |
|-----------|--|---------|----|----|----|-------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | 2020/21 | 2021/22 |
| OPS1 | Processing of undecided leavers | | | ✓ | | | |
| OPS2 | Design a range of customer experience key performance indicators | ✓ | | | | | |

Investments and fund accountancy

| Reference | Key action/task | 2019/20 | | | | Medium term | |
|-----------|--|---------|----|----|----|-------------|---------|
| | | Q1 | Q2 | Q3 | Q4 | 2020/21 | 2021/22 |
| IA1 | Continue development of the asset pool | ✓ | | | ✓ | | |
| IA2 | Implement the strategic asset allocation | | ✓ | | | | |
| IA3 | Implement the cash management policy | ✓ | | | | | |
| IA4 | Extend global custody contract for 2 years | | ✓ | | | | |
| IA5 | Re-tender collaboratively with ACCESS for global custody services | | | | | ✓ | |
| IA6 | Implement online payment platform for employers' contribution payments | | ✓ | | | | |
| IA7 | Re-tender for investment consultancy services | | | | ✓ | | |
| IA8 | Re-tender for the independent adviser role | | | ✓ | | | |
| IA9 | Complete sign up to the responsible investment stewardship code | | | | ✓ | | |
| IA10 | Consider multi-fund investment strategies | ✓ | | ✓ | | | |

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|---|
| Subject: | Cambridgeshire Pension Fund – 2019/20 Communication Plan |
| Purpose of the Report | To present the Cambridgeshire Pension Fund Communication Plan for the 2019-20 scheme year to the Pension Fund Committee. |
| Recommendations | The Pension Fund Committee are asked to approve the Communication Plan located in appendix 1. |
| Enquiries to: | Name - Cory Blose – LGSS Employer Services and Systems Manager Tel – 01604 367264 E-mail – cblose@northamptonshire.gov.uk |

1. Background

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

61. (1) *An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—*

- (a) *members;*
- (b) *representatives of members;*
- (c) *prospective members; and*
- (d) *Scheme employers.*

(2) *In particular the statement must set out its policy on—*

- (a) *the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;*
- (b) *the format, frequency and method of distributing such information or publicity; and*
- (c) *the promotion of the Scheme to prospective members and their employers.*

(3) *The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).*

- 1.2 The enclosed Communication Plan forms part of that policy as required by the Regulations and sets out the communication activities for the 2019-20 scheme year.
- 1.3 The Communication Strategy is not due for review at this time. As a result the Plan has been separated from the Strategy for individual approval.
- 1.4 A Digital Communication Strategy outlining our approach to utilising digital communications will be submitted later on in the year.
- 1.5 The Pension Fund Committee is asked to approve the Communication Plan

2. The Communications Plan

- 2.1 The Communications Plan details the communication that we plan to send to the Fund's stakeholders, including:

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

- 2.2 The plan sets firm deadlines for key communications, particularly annual benefit statements, notification of scheme changes, and other engagement activities.

3. Relevant Pension Fund Objectives

| |
|---|
| Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. (Objective no 1) |
| Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. (Objective no 3) |
| Continually monitor and measure clearly articulated objectives through business planning. (Objective no 4) |
| Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5) |
| Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. (Objective no 8) |
| Promote the Scheme as a valuable benefit. (Objective no 12) |

| |
|---|
| Deliver consistent plain English communications to Stakeholders. (Objective no 13) |
| Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits. (Objective no 14) |

4. Risk Management

- 4.1 The Pension Fund Committee is responsible for ensuring a Communication Plan is in place and adhered to. The plan helps to ensure that statutory deadlines are met and stakeholders are aware of upcoming communications.
- 4.2 The risks associated with failing to have in place and monitor progress against the Communication Plan has been captured in the Fund risk register as detailed below –

| Risk No | Risk | Residual risk rating |
|---------|--|----------------------|
| 5 | Information may not be provided to stakeholders as required. | Green |
| 10 | Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed. | Green |

- 4.3 The Fund risk register can be found at the following link -
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. Communication Implications

| | |
|--------------------------------|--|
| Website | The approved communication plan will be published on the LGSS Pensions website |
| Internal Communications | The approved communication plan will be distributed internally to officers. |

6. Finance & Resource Implications

- 6.1 There are no direct finance and resource implications of approving this plan however, the communication activities themselves will have costs and resource application which will depend entirely on the final specification of each communication activity. The costs associated with delivering these activities have been built into the business plan.

7. Legal Implications

- 7.1 Not applicable

8. Consultation with Key Advisors

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

9. Alternative Options Considered.

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Cambridgeshire Pension Fund – 2019/20 Communications Plan

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | |
| Will further decisions be required? If so, please outline the timetable here | Not applicable |
| Is this report proposing an amendment to the budget and/or policy framework? | No |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 21 st May 19 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan - 29 th May 2019 |

Communication Plan 2019/20

APPENDIX

| MONTH | ACTIVITY | | | | | | |
|------------|--|--|---|--|--|--|------------|
| | Active members | Scheme employers | Prospective members | Deferred members | Retired members | Dependant members | Fund staff |
| APR | <p>Scheme change -same sex spouses & civil partners</p> <p>APC/ARC change communication</p> <p>Online pension account promotion</p> <p>Member hub user guide review</p> <p>Members' survey</p> | <p>Employers' forum invitations</p> <p>Employer training</p> <p>Year-end reminders</p> <p>APC/ARC change communication</p> | <p>Online pension account promotion</p> <p>Member hub user guide review</p> | <p>Scheme change – early payment pre April 1998</p> <p>Scheme change -same sex spouses & civil partners</p> <p>Standard letter template review - deferred</p> <p>Members' survey</p> | <p>Scheme change -same sex spouses & civil partners</p> <p>Payslip – online pension account promotion</p> <p>Members' survey</p> | <p>Scheme change -same sex spouses & civil partners</p> <p>Payslip – online pension account promotion</p> <p>Members' survey</p> | |
| MAY | <p>Fire Scheme Newsletter</p> <p>Opt out fact sheet</p> <p>£95k exit payment cap consultation</p> | <p>i-connect group 1 - online returns on-boarding & training – tranche A</p> <p>Employers' forums</p> | <p>Scheme promotion fact sheet and poster</p> | <p>Members' survey</p> | <p>Members' survey</p> <p>Payslip – online pension</p> | <p>Members' survey</p> <p>Payslip – online pension</p> | |

| | | | | | | | |
|------------|---|---|------------------------------|--|--|---|---|
| | Member hub user guide review Standard letter template review - starters Members' survey | £95k exit payment cap consultation Employer newsletter Valuation communications CFO's valuation briefing | Member hub user guide review | | account promotion | account promotion | |
| JUN | Website Plain English review Scheme change – Late retirement factors Standard letter template review – active retirement Members' survey | i-connect group 1 - online returns on-boarding & training – tranche B Scheme change – Late retirement factors Employer Training Website plain English amends | Website Plain English Review | Electronic Annual Benefit Statements – LGPS Trial bulk email system e.g. Govdelivery Website Plain English Review Members' survey | Website Plain English Review Members' survey Standard letter template review – active retirement | Website Plain English Review Members' survey | Committee report Plain English training Members' survey |
| JUL | Standard letter template review – active retirement Online pension account promotion Members' survey | i-connect group 1 - online returns on-boarding & training – tranche C i-connect group 2 - interface on-boarding Quarterly Newsletter | | Online pension account promotion Members' survey | Members' survey Standard letter template review – active retirement | Members' survey | |

| | | | | | | | |
|-------------|---|--|---------------------------------------|---|-----------------|-----------------|------------------|
| | | Employer induction packs | | | | | |
| AUG | Annual Benefit Statements - LGPS Fire Annual Benefit Statements* Newsletter – All schemes Members’ survey | i-connect group 1 - online returns on-boarding & training – tranche D i-connect group 3 - interface on-boarding | | Annual Benefit Statements - Fire Newsletter Members’ survey | Members’ survey | Members’ survey | |
| SEPT | £95k cap – scheme specific consultation Standard letter template review - transfers in non LGPS Online pension account promotion Members’ survey | £95k cap – scheme specific consultation i-connect monthly returns project Employer Training | Scheme promotion factsheet and poster | Online pension account promotion Members’ survey | Members’ survey | Members’ survey | |
| OCT | Standard letter template review – transfers in non LGPS Members’ survey | i-connect monthly returns project Employer Training Employer survey | | Members’ survey | Members’ survey | Members’ survey | Committee report |

| | | | | | | | |
|------------|--|--|---------------------------------------|---|--|--|---|
| NOV | Standard letter template review – additional benefits Members’ survey | i-connect monthly returns project Employer newsletter Employer Training Employer survey | | Members’ survey | Members’ survey | Members’ survey | |
| DEC | Annual reports & accounts Members’ survey | Employer forums i-connect monthly returns project Annual reports & accounts Funding strategy statement consultation Individual employers’ evaluation results | Annual reports & accounts | Annual reports & accounts Standard letter template review – transfers out Members’ survey | Annual reports & accounts Members’ survey | Annual reports & accounts Members’ survey | Committee report Annual reports & accounts |
| JAN | Online pension account promotion | | | Standard letter template review – transfers out | | | |
| FEB | Standard letter template review - deaths | Employer Training Quarterly Newsletter | Scheme promotion factsheet and poster | Standard letter template review - deaths | Standard letter template review - deaths | | |

| | | | | | | | |
|---------------------|---|---|---|---|---|---|--|
| MAR | <p>Trial texting</p> <p>Promotion of self-service functionality</p> <p>Standard letter template review - deaths</p> | <p>Employer Forum</p> <p>Rates & adjustments certificates</p> <p>Valuation report</p> | | <p>Standard letter template review - deaths</p> | <p>Newsletter – All schemes</p> <p>Standard letter template review – deaths</p> <p>Payslip – online pension promotion</p> | <p>Newsletter – All schemes</p> <p>Payslip – online pension promotion</p> | <p>Committee report</p> |
| Ad hoc Comms | <p>Website updates</p> | <p>Training Workshops</p> <p>Pension Bulletins</p> <p>Website updates</p> <p>Valuation Report (every 3 yrs)</p> | <p>Promotional Posters</p> <p>Website updates</p> | <p>Website updates</p> | <p>Website updates</p> | <p>Annual review of entitlement – May/June.</p> <p>Website updates</p> | <p>Website updates</p> <p>Pension Committees</p> |

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

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|---|
| Subject: | Employer Admissions and Cessations Report |
| Purpose of the Report | <ol style="list-style-type: none"> 1. To report the admission of four admitted bodies to the Cambridgeshire Pension Fund 2. To report the admission of one scheduled body to Cambridgeshire Pension Fund 3. To notify the Committee of three bodies ceasing in the Cambridgeshire Pension Fund |
| Recommendations | <p>That the Pension Fund Committee:</p> <ol style="list-style-type: none"> 1. Notes the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements: <ul style="list-style-type: none"> • <i>Caterlink</i> • <i>Aspens Services Limited</i> • <i>Edwards and Blake</i> • <i>ABM Catering Limited</i> 2. Notes the admission of the following scheduled body to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • OWN Academy Trust 2. Notes the exit of the following bodies from the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Churchill Contract Services Ltd (Thorndown Primary School) • SLM Ltd Everyone Active • Cambridge Live |
| Enquiries to: | <p>Name – Cory Blose, Employer Services and Systems Manager Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk</p> |

1. Background

- 1.1 The Local Government Pension Scheme Regulations 2013 (as amended) provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

2 New Admission Bodies

- 2.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 2.3 The Pension Fund Committee is asked to note the admission of the following bodies into the Cambridgeshire Pension Fund under paragraph 1(d)(i) and to approve the sealing of the admission agreements.

| Date | New Admission Body | Background information |
|------------|---|--|
| 01/01/2018 | Caterlink (The Diamond Learning Partnership Trust) | The Diamond learning Partnership Trust, has entered into a contract with Caterlink Limited to provide catering services for the Trust's academies. As a result of the contract, a group of staff were transferred to the new admission body under Transfer of Undertakings (Protection of Employment) (TUPE) regulations and a full admission agreement has been put in place. |
| 01/08/2018 | Aspens Services Limited (Brewster Avenue, Dogsthorpe Infants, Oakdale and St. Augustine's Church of England (CE) Junior) | The listed group of Cambridgeshire Local Education Authority (LEA) schools, have entered into a contract with Aspens Services Limited to provide school catering services within the schools. As a result, a group of staff were transferred to the new admission body. Peterborough City Council has agreed to retain the pension risk under a Pass Through agreement. |
| 01/06/2018 | Edwards and Blake (Spring Common Academy) | Spring Common Academy Trust has entered into a contract with Edwards & Blake Limited to provide catering services. As a result, a group of staff were transferred to the new admission body. Spring Common Academy Trust has the pension risk under a Pass Through agreement. |

| | | |
|------------|---|---|
| 01/09/2018 | ABM Catering Limited (Great Paxton Primary School, Newton Community Primary School, Offord Primary School, Samuel Pepys School) | The listed group of Cambridgeshire LEA schools, have entered into a contract with Aspens Services Limited to provide school catering services within the schools. As a result, a group of staff were transferred to the new admission body. Cambridgeshire County Council has agreed to retain the pension risk under a Pass Through agreement. |
|------------|---|---|

3. New Scheduled Body

- 3.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes "a proprietor of an Academy" as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.
- 3.2 The LGPS Regulations recognise the proprietor of the Academy Trust as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported, as they are therefore not recognised as new scheme employers.

| Date of admission | Academy Trust | Name of Academies transferring |
|-------------------|---------------|---|
| 01/03/2019 | OWN Trust | Nene Valley Primary School Orton Wistow Primary School Woodston Primary School) |

4. Cessations

4.1 Churchill Contract Services Ltd (Thorndown Primary School)

- 4.1.1 Churchill Contract Services Ltd were admitted to the Fund under a pass through agreement on 1 January 2018, after entering a contract to provide cleaning services to Thorndown Primary School.
- 4.1.2 On 31 August 2018 their last active member left the organisation. No exit payment or credit will be required as the pension liabilities were retained within Cambridgeshire County Council pool.

4.2 SLM Ltd Everyone Active

- 4.2.1 SLM Ltd Everyone Active were admitted to the Fund under a pass through agreement on 15 May 2015, after entering a contract to provide cleaning services to Thorndown Primary School.
- 4.2.2 On 1 August 2018 their last active member left the organisation. No exit payment or credit will be required as the pension liabilities were retained within Cambridgeshire County Council pool

4.3 Cambridge Live

- 4.3.1 Cambridge Live were admitted to the Fund on 1 April 2015, after entering a contract to provide services to run events for Cambridge City Council.
- 4.3.2 On 31 March 2019 the organisation ceased to exist. No exit payment or credit will be required as the pension liabilities have been taken back by Cambridge City Council.

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> |
| 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i> |
| Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund. <i>Objective 6</i> |
| Ensure appropriate exit strategies are put in place in both the lead up to and termination of a scheme employer. <i>Objective 7</i> |

6. Risk Management

- 6.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 6.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

| Risk No | Risk | Residual risk rating |
|---------|--|----------------------|
| 10 | Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed. | Green |
| 20 | Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met. | Green |

- 6.3 The Fund's full risk register can be found on the Fund's website at the following link:

7. Communication Implications

| | |
|------------------------------|---|
| Direct Communications | Direct communications will be required to facilitate employer start up in the LGPS. |
| Newsletter | Regular pension bulletins are issued to the scheme employers on topical matters. |
| Induction | New employers require an introduction to their employer responsibilities under the LGPS. |
| Seminar | Employers will be entitled to attend an annual Employer Forum. |
| Training | Generic and bespoke training courses will be made available. |
| Website | New employers are given access to the employer's guidance available on the LGSS Pensions website. |

8. Legal Implications

- 8.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

9. Consultation with Key Advisers

- 9.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 9.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

10. Alternative Options Considered

- 10.1 None available.

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | No |
| Will further decisions be required? If so, please outline the timetable here | No |
| Is this report proposing an amendment to the budget and/or policy framework? | No |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 22 nd May 2019 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan – 29 th May 2019 |

Background Papers: None

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

13th June 2019

Report by: Head of Pensions

| | |
|------------------------------|---|
| Subject: | ACCESS Asset Pooling Update |
| Purpose of the Report | To update the Pension Fund Committee on asset pooling. |
| Recommendations | <p>The Pension Fund Committee:</p> <ol style="list-style-type: none"> 1 Note the asset pooling update; 2 Note the attached minutes from the ACCESS Joint Committee meeting of the 10th December 2018; 3 Note the attached exempt consultation response at Appendix C. |
| Enquiries to: | <p>Name – Paul Tysoe, Investment and Fund Accounting Manager Tel – 07867902436 E-mail – phtysoe@northamptonshire.gov.uk</p> |

1. Background

- 1.1 The Cambridgeshire Pension Fund has been working collaboratively with ten other Funds in the ACCESS pool to jointly meet the Government's published criteria on asset pooling.
- 1.2 This report updates the Board on the Access Joint Committee (AJC) meeting of the 18th March 2019 and developments up to the date of this report.
- 1.3 Appendix A of this report contains the approved minutes of the 10th December 2018 AJC meeting.

2. ACCESS Joint Committee of 18th March 2019.

- 2.1 The agenda for the AJC of the 18th March 2019 included a presentation of the 2019/20 Business Plan and Budget, reports in regard to pooling guidance consultation and Responsible Investment and updates on the implementation of the Authorised Contractual Scheme (ACS), contract management, governance and communications.

- 2.2 In respect of the 2019/20 Business Plan and Budget, the AJC approved the Business Plan and the 2018/19 forecast and agreed the 2019/20 budget, to be subsequently included in the business plans of the respective administering authorities. The ACCESS budgeted cost per authority for 2019/20 is £109k. The Business Plan and Budget Update report presented to the meeting is shown at Appendix B.
- 2.3 In respect of pooling guidance, the government's consultation was noted and the AJC agreed to submit a joint ACCESS response. The AJC delegated to a lead officer, in consultation with the Chairman, Vice-Chairman and a Cllr representing Norfolk, to amend the ACCESS' draft response in line with legal advice and to submit the final version on behalf of ACCESS by the deadline of 28 March 2019. The Fund's consultation response, which includes the ACCESS response, is an exempt item at Appendix C.
- 2.4 The report in regard to Responsible Investment (RI) informed the AJC that work had been undertaken to review the alignment of existing RI policies. Officers were instructed to continue developing this initiative and report back to the AJC at a later date.
- 2.5 It was agreed to review the adequacy of the Inter Authority Agreement (IAA), revise the governance manual and develop training material. The governance manual and proposed IAA amendments will be presented to a Section 151 officer meeting with final drafts to be presented to the 11th June 2019 AJC. Monitoring Officers, representing each partner fund, will undertake this consultation to ensure continuity and appropriate protocols.
- 2.6 The ACS update was one of positive progress with seven Tranche 2 sub-funds, representing £7bn of assets, being launched by Link over three weeks in January and February as planned. In addition, Link have submitted the prospectus for Tranche 3 to the FCA and have begun their negotiations with the investment managers identified for Tranches 4 and 5.
- 2.7 Following approval from the AJC, legal advice has been commissioned to advise on the potential legal structure(s) that could be employed to pool illiquid investments. There are a variety of structures in terms of their tax efficiency, investment flexibility, the degree of control that they offer and any legal/regulatory challenges they would pose for ACCESS in its current form.
- 2.8 The AJC received a report on the establishment of management protocols with the ACS supplier and engagement that has taken place since the commencement of the Contract Manager in December 2018.
- 2.9 The AJC received an update regarding the progress on the creation of an ACCESS Support Unit. In addition to the appointment of the Contract Manager in December 2018, a Support Officer was due to commence in April 2019. The post of Programme Director was progressing well at the time of the report, with interviews in late March and early April. Latest developments will be updated verbally at the Pension Fund Committee meeting.
- 2.10 The Communication Plan recognised the need to ensure key messages are properly managed, directed to the appropriate audience and the activities of ACCESS are promoted in a positive manner. The next stage is to hold a workshop with the Chairman and Vice Chairman of ACCESS who are leading on this activity.

3. Recommendations

- 3.1 Note the asset pooling update;

- 3.2 Note the attached exempt minutes from the ACCESS Joint Committee meeting of the 10th December 2018;

4. Relevant Pension Fund Objectives

| |
|--|
| 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> |
| 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. <i>Objective 17</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> |

5. Finance & Resources Implications

- 5.1 The ACCESS budget is referenced in Section 2.2.

6. Risk Management

- 6.1 The Pension Fund Committee and Pension Fund Board has a responsibility to ensure the ACCESS pool meets the Government's published criteria on asset pooling with in the Local Government Pension Scheme universe.
- 6.2 The risks associated with this report have been captured in the Fund's risk register as detailed below.

| Risk No | Risk | Residual risk rating |
|---------|--|----------------------|
| 16 | Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making | Green |

- 6.3 The risk register covers other risks that are directly associated to Cambridgeshire Pension Fund's investments. Risks associated with failure of the ACCESS pool to meet Government requirements will be considered upon the next review.
- 6.4 The full version of the Fund risk register can be found – <http://pensions.Cambridgeshire.gov.uk/governance/key-documents/Cambridgeshire/>

7. Communication Implications

7.1 N/A

8. Legal Implications

8.1 Legal advice has been sought from various advisors in connection with the work streams of the ACCESS project including LGSS Law, the Monitoring Officer, Eversheds and Squire Patton Boggs.

9. Consultation with Key Advisers

9.1 In addition to the legal advisors set out in 10.1, advice has also been sought from Hymans Robertson, Mercer, B Finance and Muse Consultancy.

10. Alternative Options Considered

10.1 Not applicable.

11. Background Papers

11.1 Not applicable.

12. Appendices

14.1 Appendix A – minutes of the AJC meeting of 10th December 2018.

14.1 Appendix B – The Business Plan and Budget Update report of the AJC meeting of 18th March 2019.

14.1 **Exempt Appendix C – The Fund's consultation response, which includes the ACCESS response submitted on 28th March 2019.**

| Checklist of Key Approvals | |
|--|---|
| Is this decision included in the Business Plan? | Not applicable. |
| Will further decisions be required? If so, please outline the timetable here | Not applicable. |
| Is this report proposing an amendment to the budget and/or policy framework? | No. |
| Has this report been cleared by Section 151 Officer? | Sarah Heywood – 30 th May 2019 |
| Has this report been cleared by Head of Pensions? | Mark Whitby – 22 nd May 2019 |
| Has the Chairman of the Pension Fund Committee been consulted? | Councillor Rogers – 30 th May 2019 |
| Has this report been cleared by Legal Services? | Fiona McMillan – 29 th May 2019 |



ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Islington Town Hall - Committee Room 4, Islington Town Hall, Upper Street, N1 2UD, on Monday, 10th December, 2018.

PRESENT: Cllr Andrew Reid - Chairman (Suffolk CC), Cllr Barry Abraham - substitute (Isle of Wight), Cllr Susan Barker (Essex CC), Cllr Mark Kemp-Gee (Hampshire CC), Cllr Graham Lawman (Northamptonshire CC), Cllr Terry Rogers (Cambridgeshire CC), Cllr Ralph Sangster (Hertfordshire), Cllr Charlie Simkins (Kent CC), Cllr Judy Oliver (Norfolk), Dr James Walsh - substitute (West Sussex CC),

ALSO PRESENT: John Wright (Hymans Robertson), Julie Hammerton (Hymans Robertson)

OFFICERS: Andrew Bouflower (Hampshire), Nicola Mark (Norfolk), Kevin McDonald (Essex), Alison Mings (Kent), Ola Owolabi (East Sussex), Patrick Towey (Hertfordshire), Paul Finbow (Suffolk), Sharon Tan (Suffolk) Jo Thistlewood (Isle of Wight), Mark Whitby (Northamptonshire), Rachel Wood (West Sussex), Margaret Lee (Essex s151) and Joel Cook (Kent - Clerk)

UNRESTRICTED ITEMS

109. Minutes of the meeting held on 19 September 2018. (Item. 3)

RESOLVED that the minutes of the meeting on 19 September 2018 were a correct record and that they be signed by the Chairman.

110. Verbal updates - SAB / LPB representation [11:10 - 11:20]. (Item. 4)

1. Further to the Board Representation discussion in the previous meeting, it was agreed that pending the release of further guidance, the approved letters will not be sent.

RESOLVED that, providing the expected guidance had no significant impact on the issue, Mark Whitby (Northamptonshire) would send the relevant correspondence in line with the decision taken at the previous ACCESS meeting.

(111) Business Plan & Budget - quarterly update [11:20 - 11:40]. (Item. 5)

1. Rachel Wood (West Sussex) provided an update on the business plan and budget, clarifying the risk ratings and providing context. She highlighted the delay to the initial sub-fund launch as well as Tranches 2 and 3.

2. The Committee was advised that the 2019-20 ACCESS Budget would be presented for consideration and approval at the 18 March 2019 meeting.
3. Members discussed the benefits of an annual work plan that would ensure time dependant items were written into agendas in advance.
4. Members requested that the budget monitoring table include a column showing the start of year forecast and total variance.
5. In response to a question regarding the legal costs incurred, it was explained that Governance work stream had required more legal advice than initially budgeted. However, the Committee was reassured that Officers expected the year-end spend to be in line with the forecast budget.
6. Further to the discussion at the previous meeting, Members noted that the budget was indicative and presented for monitoring purposes only. There was provision in the IAA for each Council to be invoiced for their share of any additional costs. It was clarified that the Inter-Authority Agreement stated the Joint Committee should make recommendations to the administering authorities regarding the Strategic Business Plan and then subsequently determine a budget necessary to achieve the outcomes set out in the Plan.

RESOLVED that;

75. The business plan be noted.
76. The Budget monitoring table should include a column showing the start of year forecast and total variance.
I
77. It was confirmed that authority to implement decisions taken by the JC was delegated to the relevant officer or Council (including but not limited to entering into legal agreement, signing contracts and approving expenditure), in consultation with the Chair.

112. Motion to Exclude the Press and Public.

(Item. 6)

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

• **Hymans update - progress and challenges [11:40 - 12:00].**

(Item. 7)

- (1) John Wright (Hymans) introduced his presentation and provided an update on the progress made and outstanding challenges for ACCESS.
- (2) He drew Members' attention to the meeting with Minister Sunak, attended by both Hymans and representatives from ACCESS. He felt the meeting was constructive overall, and that they were able to demonstrate to the Minister the positive work of ACCESS so far.

- (3) Whilst Minister Sunak saw infrastructure as a very suitable asset for pension liabilities, it would be down to Members of ACCESS to discuss their appetite for such investment. There also needed to be clarity around what assets were included under this category.
- (4) Members were made aware of an upcoming consultation around the rules on pooling, which would update the 2015 guidance. The consultation was due to be published before the end of December 2018, and potentially would have a short response period.

RESOLVED that the update be noted.

114. ACS Implementation update [12:00 - 12:30].

(Item. 8)

- (1) Andrew Boufflower (Hampshire) updated the Joint Committee on the progress of launching the ACS and the sub-funds to be created within it.

RESOLVED that;

- a) Link be asked to undertake the necessary due diligence to set up sub-funds for the fixed income and diversified growth fund investment managers (as per table 2 of the report).
- b) All progress in launching the first phase of investment in sub-funds and identifying equity managers be noted.

115. Infrastructure update & next steps [12:30 - 12:40].

(Item. 9)

- (1) Andrew Boufflower (Hampshire) explained the background and current approach for illiquid assets. The area required substantial investigation, and the issue would be discussed further at a future meeting.
- (2) Whilst each authority was able to decide what it would invest in, it was explained that finding a common ground which appealed to a majority of ACCESS Members would increase the overall benefits.

RESOLVED that;

- Any pooling of illiquid assets would be via external specialist investment managers.
- The proposed 'first steps' for investigating the use of pooling for illiquid assets be undertaken:
 - (a) Collate funds' strategic allocations to look at pool options,
 - (b) Commission necessary legal advice for investment structures for illiquid investments,
 - (c) Officers consider engaging with other pools and investment managers to discuss options
- The Joint Committee would consider illiquid pooling at a future meeting when more information was available.

116. Update on Governance arrangements [13:10 - 13:25].

(Item. 10)

- (1) Nicola Mark updated Members about the Governance work that was being undertaken. She reiterated that the document was a working document, as opposed to the IAA which would be static (once reviewed and approved).

RESOLVED that;

- The update be noted.
- The planned review by s151 Officers and Monitoring Officers be noted.
- Proposed training in early 2019 be noted.
- Feedback from Members to be incorporated in future edits as the Governance Manual progressed.

117. Communications Plan update [13:25 - 14:00].

(Item. 11)

1. Following a communications workshop in September, Hymans Robertson led a discussion around the key messages and pros/cons of a detailed communication plan / strategy.
2. The Chairman was clear that he wanted some key messages agreed by the Committee so that when he was interviewed on behalf of ACCESS he was confident that the messages he conveyed had been agreed.

RESOLVED that

- The Chair and Vice-Chair would be the spokespeople for ACCESS (media queries or interview requests should be referred to them)
- ACCESS Members could still comment on ACCESS activity, speaking as Members of ACCESS but not the formal spokespeople and should use the key messages once finalised.
- the Key Messages be updated as per discussion (Hymans revising drafts)
- Hymans be asked to develop Q&A to support communications planning and media engagement
- The Chair and Vice-Chair consider attending a half-day media training (funding for session approved by Committee - £2,500)

118. ACCESS Support Unit [14:00 - 14:45].

(Item. 12)

1. Kevin McDonald provided an update on the developments regarding the ACCESS Support Unit (ASU).
2. The Programme Director role had not yet been recruited to, so the leading authority, Essex County Council, had contacted specialist recruiters in order to assist the appointment to the post. The Committee was advised that this would result in an additional budget pressure, slightly mitigated by the lower recruitment costs incurred to date.
3. The roles of the Technical Lead Officers would be filled by LGPS staff from within member authorities. Section 151 Officers would be nominating individuals in the following weeks. It was expected that the OWG model for working remotely and meeting in a central location as needed would be adopted.

RESOLVED that;

- Update on ASU development and recruitment arrangements be noted.

- The Essex approach of using a recruitment company to recruit the ASU Programme Director (recognising the additional cost implications) be endorsed.

119. Items for information or advice from the committee [14:45 - 15:00].

(Item. 13)

1. Hampshire CC would be considering their Responsible Investment Policy. Members questioned if a common policy across the authorities could be established in the future. A short report would be written for the Committee that showed what each fund had in place for their Responsible Investment Policy and a possible direction of travel.
2. Essex CC had been approached by Local Government Chronicle (LGC) to discuss their experience of entering the ACCESS pool. Other authorities in the room had not been approached. Essex CC would speak on behalf of itself, and not the Joint Committee.

RESOLVED that the updates be noted.

- **Date of next meeting.**

(Item. 14)

RESOLVED that it be noted the next meeting would be held on Monday 18 March 2019 – 11:00 to 15:00

**Business Plan and Budget
Quarterly Update**



ACCESS Joint Committee

Date: 18 March 2019

Report by: Officer Working Group

| | |
|-------------------------------|--|
| Subject: | Business Plan and Budget Update |
| Purpose of the Report: | To provide an update on the activities undertaken since the last Joint Committee and associated spend |
| Recommendations: | The Committee is asked to note the updated business plan and 2018/19 forecast spend, and to approve the 2019/20 budget for recommendation to individual ACCESS Authorities |
| Enquiries to: | Alison Mings (Alison.mings@kent.gov.uk 03000 416488) |

1. Purpose.

- 1.1 The Joint Committee is required to make recommendations to the ACCESS Authorities about the annual strategic business plan for the Pool.
- 1.2 The strategic plan was agreed by the Joint Committee in April 2018 and has now been referred to the relevant ACCESS Authorities.
- 1.3 The Joint Committee also determined the budget necessary to implement the business plan during 2018/19 (insofar as the costs will not be paid by ACCESS Authorities direct to the Operator) at their meeting in April 2018 and this has been charged to the relevant ACCESS Authorities.
- 1.4 This report updates the Joint Committee on the work undertaken to date and costs incurred in 2018/19. The Joint Committee is also requested to agree the updated plan which includes activities planned for 2019/20 and determine the 2019/20 budget required to fund these activities.

2 Business Plan Update

- 2.1 The key activities undertaken are as follows:

S2018/19

- Access Support Unit (ASU) recruitment in progress
- ASU functions mainly undertaken by 3rd parties
- Tranches 1 and 2 sub fund onboarding

2019/20

- ASU recruitment completes
- ASU functions mainly undertaken by ASU officers and technical leads
- Tranches 3, 4 and 5 sub fund onboarding
- Consideration of non-listed / illiquid assets

2.2 The table below shows progress against key items anticipated to be delivered since the last Joint Committee and due to be completed by end March 2019, as well as the proposed activity in 2019/20.

2.3 It should be noted that in 2019/20 ACCESS Support Unit (ASU) Officers employed by Essex as the Host Authority, together with the Technical Leads, will be taking over most of the functions of the ASU from the 3rd party providers.

2.4 It is anticipated that external advisors will be engaged in relation to the further work on the Governance arrangements for the ACCESS pool as well as in relation to the setup of further ACS sub-funds as well as any arrangements for the pooling of illiquid assets.

| ACCESS Strategic Business Plan | | |
|---|--|--|
| Key Milestone | 2018/19 | Anticipated 2019/20 |
| Consider Legal Entity Consider the benefits and drawback of legal entity model for ACCESS pool. | Completed | N/A |
| Complete Governance Manual Work with external advisers to reflect decision making principles, communication strategy, policies and procedures, code of conduct etc in the Governance Manual | Substantially Completed | Will have residual cost relating to training. |
| Complete Review of Inter Authority Agreement Work with external advisers to reflect any changes resulting from the completion of the Governance Manual and review | Initial redrafting undertaken | Further redrafting required to reflect changes; mainly to the current operational elements of the Pool |
| Agree and establish ACCESS Support Unit Identify ASU resource requirements, roles and responsibilities for activities, scope and run recruitment activity and appoint | Third party providers appointed as interim ASU | ASU functions will be mainly undertaken by ASU Officers and Technical Leads |

| | | |
|--|---|--|
| ASU Operation and BAU | Third party providers appointed | ASU functions will be mainly |
| ASU Operation plus professional advice and support | as interim ASU | undertaken by ASU Officers and Technical Leads |
| Determination of Reporting Framework Reflecting investments within the sub-funds work with Link to ensure that reporting meets Authority, Pool, CIPFA and Government requirements | | Work to be undertaken by the ASU but potential for training. |
| Agreement to joint policies Including communication, environmental social and governance and responsible investment. | N/A | Work to be undertaken by the ASU |
| Approval and launch of Sub-Fund Tranche 1 Ensure initial sub-fund meets Link's due diligence requirements and ACCESS Authorities value for money criteria (including transition activity). Work with Link to submit application to the FCA for approval of the ACCESS ACS and initial sub-fund set-up. Launch. | Completed with overspend on legal due diligence and consultancy advice | N/A |
| Approve and launch of Sub-Fund Tranche 2 As above | Completed | N/A |
| Approve and launch of Sub-Fund Tranche 3 As above | Substantially completed | Transition activity only. |
| | | No further due diligence required. |
| Establish Stock Lending Programme for ACCESS ACS Commission work from third party experts on the appropriate balance between risk and income for Link to implement for the ACCESS ACS sub-funds | Completed following appointment of Mercer. Programme in place. | N/A |
| Determine, approve and launch Phase 2 Sub-Funds As above but to also include manager search and selection activity by Russell. | Work commissioned from Russell | Further due diligence required |
| Consideration of approach to illiquid investments Consideration of requirements and implementation options for ACCESS Authorities' current and proposed investments to illiquid asset classes, including infrastructure. | Joint Committee agreed initial scope of work to be undertaken by Officers | Further work required |
| Communication with MCHLG Providing updates to Government and responding to consultations | Completed | Work to be undertaken by the ASU using 3 rd party suppliers as required |
| Pool Wide Activities Professional support in relation to ACCESS Governance Structure includes JC, S151 and OWG and workstream meetings | Work commissioned from Hymans | Work to be undertaken by the ASU using 3 rd party suppliers as required |

3.2018/19 Budget Update and 2019/20 Proposed Budget

- 3.1 In agreeing the strategic business plan for 2018/19 the Joint Committee determined the budget necessary to implement the outcomes of the plan and meet the expenses of undertaking the Specified Functions. The costs set out in the 2018/19 budget were indicative based on the understanding of the resource requirements at the time.
- 3.2 In line with the terms of the Inter Authority Agreement, each administering authority has already paid £105,000 being their share of the costs budgeted for the 2018/19 financial year.
- 3.3 At the end of the current financial year the actual cost of the services will be determined, and the Host Authority will invoice each Council for its further share of the costs (if any) payable.
- 3.4 At its meeting in September 2018 when the Committee agreed the revised 2018/19 budget they resolved that:

The spend approval is delegated to the relevant lead officer in consultation with the Chair. Should the officer and Chair feel that additional costs are significant to justify reconsideration by the Committee prior to progressing, then the matter should be deferred until the next meeting or, if urgent but still too significant to progress without full Committee approval then an additional meeting may be convened.

Once appointed the ACCESS Director will take over responsibility for management of the agreed budget.

- 3.5 For the Committee's information a schedule of forecast costs for 2018/19 compared with the original budget and revised budget as well as details of actual spend to date is included in the table below.
- 3.6 The table below also includes the budget considered necessary to implement the strategic business plan for 2019/20. This has been shared with S151 officers and their views have been taken into account in this report.
- 3.7 It is anticipated that the cost of delivering the 2019/20 business plan will be lower than in 2018/19 mainly as the result of the establishment of the ASU hosted by Essex and reduced use of external support, as described in paragraphs 2.3 and 2.4 above.

ACCESS Latest Spend vs Budget 2018/19 and Estimated Budget 2019/20

| | Original budget 2018/2019 £ | Sept Revised Budget 2018/2019 £ | Actual Cost as at Jan 19 2018/2019 £ | Latest Forecast 2018/2019 £ | Budget 2019/2020 £ | Note |
|-------------------------------------|--------------------------------------|---|---|--------------------------------------|--------------------------|----------|
| Interim ASU / ASU Total | 361,000 | 472,773 | 350,908 | 456,707 | 467,300 | 1 |
| Professional Costs | - | - | - | - | | |
| <i>Internal Professional Costs</i> | | | | | | |
| Internal Professional Costs | 21,000 | 21,000 | 15,872 | 25,765 | 8,000 | 2 |
| <i>External Professional Costs</i> | | | | | | |
| Strategic and Technical | 330,000 | 395,595 | 272,270 | 327,270 | 364,000 | |
| Legal and Governance | 215,000 | 290,647 | 255,102 | 340,293 | 207,250 | |
| Project Management | 230,000 | 247,205 | 148,090 | 168,090 | 156,000 | |
| <i>External Professional Costs</i> | 775,000 | 933,447 | 675,462 | 835,653 | 727,250 | |
| Professional Costs Total | 796,000 | 954,447 | 691,334 | 861,418 | 735,250 | |
| Total Costs | 1,157,000 | 1,427,220 | 1,042,242 | 1,318,125 | 1,202,550 | |
| Cost Per Authority | 105,182 | 129,747 | 94,749 | 119,830 | 109,323 | |
| Cost Per Authority (rounded) | 105,000 | 130,000 | 95,000 | 120,000 | 109,000 | |

Note

1 A detailed breakdown of the ASU costs is at Appendix 1.

2 Includes Kent costs to September incl. those related to the handover. From July JC support will be captured within ASU Essex Support

4. Risks

4.1 A summary of the key risks is attached at Appendix 2. This summarises risks which have an amber or red status [excluding fund manager challenge risk].

5. Recommendations

5.1 That the Joint Committee notes the progress against the business plan and the forecast outturn for 2018/19.

- 5.2 That the Joint Committee agrees the updated business plan and budget necessary to implement the business plan during 2019/20 and agrees to recommend the business plan to each authority.

6. Consultation with Key Advisers

- 6.1 Hymans Robertson has been appointed to provide general / project support and technical advice to the ACCESS pool.

7. Background Papers

- 6.1 None

ACCESS ASU Latest Spend vs Budget 2018/19 and Estimated Budget 2019/20

| | Original budget 2018/2019 £ | Sept Revised Budget 2018/2019 £ | Actual Cost as at Jan 19 2018/2019 £ | Latest Forecast 2018/2019 £ | Estimated Budget 2019/2020 £ | Note |
|--------------------------------|--------------------------------------|---|---|--------------------------------------|---------------------------------------|------|
| Interim ASU Support | 360,000 | 451,773 | 302,864 | 342,864 | - | 1 |
| ASU Salaries (incl. on cost) | | | 15,819 | 31,637 | 295,000 | 2 |
| ASU Operational | 1,000 | 21,000 | 26,832 | 57,832 | 20,500 | 3 |
| ASU Host Authority Recharge | | | 3,365 | 6,846 | 42,000 | 4 |
| ASU JC Secretariat Support | | | | | 16,800 | 5 |
| Technical Lead Recharge Costs | | | 2,028 | 17,528 | 93,000 | 6 |
| Interim ASU / ASU Total | 361,000 | 472,773 | 350,908 | 456,707 | 467,300 | |

Note

- 1 Support provided by Hymans Robertson
- 2 Includes salary and on cost for ASU positions
- 3 Includes travel expenses, recruitment and website licence
- 4 Recharge for hosting and providing servicing to the ASU including accommodation, IT and HR support
- 5 JC secretariat and meeting support
- 6 Recharge on cost/time basis for work undertaken on workstreams by technical leads and reimbursement of travel expenses

Project management which will sit under the ASU is shown currently under external professional services

| | | |
|--|--------------------|------------------------|
| CAMBRIDGESHIRE PENSION FUND COMMITTEE AGENDA PLAN | Created April 2019 | AGENDA ITEM: 12 |
|--|--------------------|------------------------|

| Meeting date | Agenda item | Lead officer | Deadline for draft reports | Agenda despatch date |
|---------------------|--|--------------------------|-----------------------------------|-----------------------------|
| 13/06/2019 | Minutes 28/03/2019 and Action Log | R Sanderson/ J Walton | 31/05/2019 | |
| | Administration Report [standing item] | M Oakensen | | |
| | Data Improvement Plan Update [standing item] | J Walton | | |
| | Business Plan Update [standing item] | J Walton | | |
| | Governance and Compliance Report [standing item] | J Walton | | |
| | Employers Admissions and Cessations Report [standing item] | C Blose | | |
| | Valuation Update – Employer Strategies [current standing item] | C Blose | | |
| | Asset Pooling [current standing item] | P Tysoe | | |
| | Communication Plan | C Blose | | |
| 25/07/2019 | Minutes 13/06/2019 and Action Log | R Sanderson | 12/07/2019 | |
| | Annual General Meeting – inc Annual Report and Statement of Accounts | M Whitby | | |
| | Additional Voluntary Contribution Providers Review | J Walton | | |
| 10/10/2019 | Minutes 25/07/19 and Action Log | R Sanderson | 27/09/2019 | |
| | Administration Report [standing item] | M Oakensen | | |

| Meeting date | Agenda item | Lead officer | Deadline for draft reports | Agenda despatch date |
|-------------------|---|--------------|----------------------------|----------------------|
| | Data Improvement Plan Update [standing item] | J Walton | | |
| | Business Plan Update [standing item] | J Walton | | |
| | Governance and Compliance Report [standing item] | J Walton | | |
| | Employers Admissions and Cessations Report [standing item] | C Blose | | |
| | Admitted Bodies, Scheme Employers and Bulk Transfer Payments | C Blose | | |
| | Valuation Update – Funding Strategy Statement and Results [current standing item] | C Blose | | |
| | Managing and monitoring the performance of outsourced providers. | M Oakensen | | |
| | Asset Pooling [current standing item] | P Tysoe | | |
| | Communication Strategy | C Blose | | |
| | Digital Communication Strategy | C Blose | | |
| | Cambridgeshire Pension Committee Effectiveness Review | M Oakensen | | |
| | Risk Monitoring (6 month review) | M Oakensen | | |
| | Dormancy Policy (approval) | M Oakensen | | |
| 12/12/2019 | Minutes 10/10/19 and Action Log | R Sanderson | 29/11/2019 | |
| | Administration Report [standing item] | M Oakensen | | |
| | Data Improvement Plan Update [standing item] | J Walton | | |
| | Business Plan Update [standing item] | J Walton | | |
| | Governance and Compliance Report [standing item] | J Walton | | |

| Meeting date | Agenda item | Lead officer | Deadline for draft reports | Agenda despatch date |
|-------------------|--|--------------|----------------------------|----------------------|
| | Employers Admissions and Cessations Report [standing item] | C Blose | | |
| | Asset Pooling [current standing item] | P Tysoe | | |
| | Managing and monitoring the performance of outsourced providers. | M Oakensen | | |
| | Anti-Fraud and Corruption Policy (approval) – if applicable | C Blose | | |
| | Actuarial Valuation Report (approval) | C Blose | | |
| 19/03/2020 | Minutes 12/12/2019 and Action Log | R Sanderson | 6/3/2020 | |
| | Administration Report [standing item] | M Oakensen | | |
| | Business Plan Update [standing item] | J Walton | | |
| | Business Plan and Medium Term Strategy | J Walton | | |
| | Governance and Compliance Report [standing item] | J Walton | | |
| | Data Improvement Plan Update [standing item] | J Walton | | |
| | Employers Admissions and Cessations Report [standing item] | C Blose | | |
| | Valuation Update – Rates and Adjustment Certificate and Funding Strategy Statement [current standing item] | C Blose | | |
| | Asset Pooling [current standing item] | P Tysoe | | |
| | Administration Strategy (approval) | C Blose | | |

