

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.
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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	✓		✓			

