

PENSION FUND COMMITTEE



Date: Thursday, 28 March 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 Committee 13th December 2018** **5 - 12**
- 2b) Pension Fund Committee Action Log Action Log for 28 March 2019 meeting** **13 - 16**
- 3. Petitions and Public Questions**
- 4. Appointment of Vice Chairman / woman**

Following the resignation of Councillor Roger Hickford from the Committee, Councillor Ian Gardener has been appointed as his replacement. As Councillor Hickford was the Vice Chairman there is now the need to appoint a new Vice chairman / woman. The appointment will also automatically become the Vice Chairman of the Investment Sub-Committee.

5.	External Audit Plan year ended 31st March 2019 Cambridgeshire Pension Fund	17 - 58
6.	Internal Audit Report 2018-19	59 - 76
7.	Annual Business Plan Update Report	77 - 86
8.	Annual Business Plan and Medium Term Strategy 2019-20 to 2021-22	87 - 118
9.	Revised Overpayment of Pension Policy	119 - 142
10.	Risk Strategy and Risk Register Review	143 - 172
11.	Employer Admissions and Cessations Report	173 - 180
12.	Administration Performance Report	181 - 190

Exclusion of Press and Public for confidential appendix

Should members of the public and press be present and the Committee wishes to discuss the detail of appendix 4 of the Administration Report, the Committee is recommended to pass the following resolution:

that the press and public be excluded from the meeting on the grounds that Appendix 4 contains exempt information under paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972 as amended and it would not be in the public interest for this information to be disclosed (information relating to the financial or business affairs of any particular person (including the authority holding the information))

Proposed Comfort break following completion of Item 12 Administration Report

13.	Investment Strategy	191 - 218
14.	Cash Management Strategy	219 - 228
15.	Data Improvement Plan Progress Report	229 - 236

Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that Items 17 and 18 on the agenda contain exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

17. Asset Pooling Update (Confidential)

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

18. Valuation of the Fund Update

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

19. Forward Agenda Plan Cambridgeshire Pension Fund Committee 247 - 250**20. Date of Next Meeting 13th June 2019**

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

Clerk Telephone: 01223 699181

Clerk Email: rob.sanderson@cambridgeshire.gov.uk

The County Council is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens. These arrangements operate in accordance with a protocol agreed by the Chairman of the Council and political Group Leaders which can be accessed via the following link or made available on request: <http://tinyurl.com/ccf-film-record>.

Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution <https://tinyurl.com/ProcedureRules>.

The Council does not guarantee the provision of car parking on the Shire Hall site and you will need to use nearby public car parks <http://tinyurl.com/ccf-carpark> or public transport.

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 13th December 2018

Time: 2.00 -3.00 pm

Place: Room 128, Shire Hall, Cambridge

Committee Members

present: County Councillors: R Hickford(Vice-Chairman), T Rogers (Chairman), J Schumann and M Shellens;
All Other Local Authorities, Police and Fire: Councillor R Robertson,
Member Representative: J Walker

Officers: C Blose, S Heywood, M Oakensen, R Sanderson, P Tysoe and J Walton

Advisor: None

Observer: None

Apologies: Councillor A Hay and L Phanco and M Pink

99. 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 J Schumann declared a personal, non-prejudicial interest in item 11 Employers Admissions and Cessations Report as a Trust Director for Staploe Education Trust.

100. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 18th OCTOBER 2018

The minutes of the Pension Fund Committee meeting held on 18th October 2018 were approved as a correct record and were signed by the Chairman.

The Committee noted the Action Log.

101. PENSION FUND ANNUAL BUSINESS PLAN UPDATE 2018-19

This report presented an update of the Pension Fund Business Plan.

Issues raised in debate included:

- Page 23 Mortality Screening and Member Tracing Service Procurement – One member highlighted that there was not much time to decide on the preferred procurement method as the target for completion was 31st December. Of the two approaches, the verbal update was the preference being for a mini-competition.
- **Page 28 Paragraph 2.4.2 Ops2 - Establish a non-interest bearing ESCROW account for 'out of scheme' payments** – The action by the administering authority to hold specific pension scheme benefits in such an account had been completed. One Member highlighted that this was an area where fraud could occur.
- Another Member following on from the above, asked what happened if people never claimed the money owing to them? **There was a request for a more detailed explanation to this question to be provided to the whole Committee outside of the meeting. Action: Paul Tysoe**
- Page 29 2.5.1 -IA3 Local Direct Investment – second paragraph third line of the update - a Member sought greater explanation of the statement in the third line reading "...it was determined that a more streamlined approach could be used to procure a fund manager to meet the Fund's needs." In reply it was clarified that in certain areas of recruitment a professional advisor was normally sought, but in this case as it was a direct investment in Local Economic Development Funds, standard advice from Mercers was not available as they did not hold Fund manager information at this level. The specification requirements for the Fund Manager were submitted to the Investment Sub Committee (ISC). Subsequently, two fund managers were invited to present proposals to the ICS. While one manager had offered a suitable solution, for further comparison purposes the ISC requested officers invite additional providers to a subsequent ISC meeting. Officers were currently liaising with additional providers with the intention of making presentations to the ISC in February 2019.
- Page 29 - **2.5.2 - IA4 – Responsible investment Action** – explanation requested on the paragraph reading: "Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG integration into investment manager decisions, and monitoring and reporting of investment manager voting" . This was in respect of a series of information days held three times a year for both Northamptonshire and Cambridgeshire Pension Committee members. A further engagement day was due to be held in February to discuss 'Responsible Investment and in particular fund manager engagement and voting in line with the Stewardship Code.. **Councillor Robertson requested that he should be sent a copy of the UK Stewardship code. Action: Paul Tysoe**
- **Page 29-30 Strategic Asset Allocation Review** – there was a request for an update on the workshop agreed for January. No date had yet been finalised, but officers would contact Members with a suggested date shortly. **Action: Paul Tysoe**

Having commented, it was resolved unanimously:

To Note the Pension Fund Business Plan update for the third meeting of the 2018-19 financial year.

102. ADMINISTRATION PERFORMANCE REPORT

This report set out a number of the key areas of administration performance for consideration by the Committee to help ensure effective and efficient governance and administration of the Pension Fund.

In respect of the confidential appendix and one employer identified with a very large late payment, officers clarified that the case had been investigated further with assurance provided that it had been an oversight and that it would not happen again.

In discussion:

- Page 42 - table receipt of employer and Employee contributions - explanation was requested for the big drop for employers paid on time for the April / May months. **Officer to find out and write to the Committee. Action M Oakenson.**
- One Member challenged why appendix 2 was classed as confidential as in his view naming and shaming those employers providing late payments to the Fund should be included as part of the public record. The reason currently given for the exclusion was that it revealed business information about particular employers. There was a request that LGSS Law should be asked to take a view. **Action: M Oakenson to contact LGSS Law to seek a legal view on the rationale for the information in the appendix being confidential and not open to the public, including their opinion of whether it would be reputationally damaging or commercially sensitive should their names be disclosed as part of the public report.**

The report was noted.

103. GOVERNANCE AND COMPLIANCE REPORT

In introducing the report officers highlighted the section on the mandatory Annual Scheme Return showing that Cambridgeshire Pension Fund's common data score was 82.21% and the scheme specific data score was 73.13%.

As highlighted in discussion at the previous meeting, other LGPS Funds and other types of pension schemes calculated their scores differently. As a result in the first year of data scoring it would not be unreasonable to see a wide variety of scores until such time as very specific and detailed guidance was provided. It was not known currently how the Pensions Regulator would use the data scores, with the results not expected to be published until the New Year. Concerns were raised if any conclusions were to be drawn from data that was not like for like, or was not from the same snapshot period of the year. **Action: Follow up by the officers to contact the Pension Regulator to convey these concerns: Jo Walton**

It was resolved unanimously to note:

- 1) Information on potential, new or amending legislation affecting the LGPS;
- 2) Information on other pensions legislation;
- 3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator;
- 4) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and
- 5) Skills and knowledge opportunities.

104. CAMBRIDGESHIRE PENSION FUND TRAINING STRATEGY 2018

The current Training Strategy had been in place for 12 months. This report provided details of a review undertaken to ensure the Training Strategy was still fit for purpose. Section 2 and Appendix 1 of the report provided details of the main changes between the existing Strategy (included as Appendix 3 to the report) and the revised proposed Strategy set out in Appendix 2 of the Officers' report. The proposals also included a change recommended by the Pension Fund Board as detailed in paragraph 3.1.

It was highlighted that:

- Based on the experience gained, some training requirements were now proposed to be compulsory in terms of the knowledge deemed to be required for Committee members to undertake their duties effectively. These were included in paragraph 15.5 of the new Strategy.
- One change proposed as an oral update was that attendance at an approved conference would accrue a maximum of four credits.
- There was a request to alternate the venues for joint training days and not only have them at Wyboston Lakes training centre. It was suggested that for some people in Cambridgeshire, Grafham Water a venue had been used in the past, would be more convenient. It was explained that Wyboston had been used as it was a central location for both Cambridgeshire and Northamptonshire and that alternating venues would mean members travelling to either Grafham Water or Knuston Hall. Wyboston Lakes had been used as it was more central for all parties. **Officers were however happy to take on board the suggested steer and look to alternating the venues. Action: P Tysoe**

It was unanimously resolved:

To approve the Revised Cambridgeshire Pension Fund Training Strategy set out in Appendix 2 of the report.

105. DATA IMPROVEMENT PLAN PROGRESS REPORT

This report detailed progress made against the Pension Fund Data Improvement Plan with a summary of the full list of data activity improvements included in Appendix 1 to the report and the activities in progress set out in section 2 of the report.

The report was noted.

107. ADMINISTERING AUTHORITY DISCRETIONS POLICY

In October 2012 the Cambridgeshire Pension Fund Board (as the Committee was originally known) agreed a set of policies in relation to the exercise of the discretions that could be exercised by the administering authority. The policies were reviewed and updated in June 2014 following the introduction of the revised Local Government Pension Scheme on 1 April 2014.

The introduction of The Local Government Pension Scheme (Amendment) Regulations 2018 (S.I. 2018 No. 493), has brought in a number of changes in relation to discretions and it was therefore appropriate to review and update the existing discretions and the Regulation references to ensure they remained appropriate. Appendix 1 to the report provided a comprehensive list of all administering authority discretions that the Fund was able to exercise, together with the relevant regulation references and the proposed Policy.

It was highlighted that the proposed Policy only dealt with the discretions required to be exercised by Cambridgeshire County Council in its role as an administering authority. Policy decisions would apply to all employers and scheme members in the Cambridgeshire Pension Fund. On the whole, administering authority discretions carried little risk as they related to day to day operational matters. Having a set of formally approved policies provided good governance and assisted LGSS Pensions to administer the Fund consistently.

The proposed changes were highlighted in grey shading in Appendix 1 to the report. The Chairman took each revised section page by page inviting any comments.

On page 116 Payments relating to death - the reference to councillor members was clarified as being in respect of deferred councillor members.

Having considered the proposed changes,

It was resolved unanimously:

To approve the updated Administering Authority Discretions Policy.

108. UPDATE ON THE VALUATION OF THE FUND

This report provided an update on key activities related to the valuation of the Fund.

It was highlighted that:

- On the analysis of key assumptions on the Actuary, a report would be coming back to Committee in March for decision.
- Paragraph 4.4 set out the activities currently at the planning stage to come back to the March Committee meeting.

Officers were reminded of the need to avoid using technical or other acronyms in reports without first spelling them out first e.g. in Paragraph 4.4 the acronym 'HEAT' without spelling out that it stood for which in this case was 'Hymans Robertson Employer Assets Tracker'.

The report was noted.

109. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

This report provided details of:

- the admission of seventeen admitted bodies to the Cambridgeshire Pension Fund under fifty-two separate admission agreements, forty three of which related to the winding up of Cambridgeshire County Council Catering Services and the resulting admission of 13 new bodies.
- the admission of one scheduled body to the Cambridgeshire Pension Fund.
- The winding up of Drinksense and their cessation from the Pension Fund.

In discussion:

- With regard to the deficit identified for Drinksense following their winding up and payment of debts, the final identified deficit was stated to be £114,800 less £27,890 of cash they still had available. (A Member highlighted that the deficit figure was in fact nearer £117,000 due to an arithmetical error in the figures shown) The deficit to the Fund arose due to the type of admission as back in 1982 when they formed there was no guarantor required under the regulations in force at that time. As a result, the unpaid deficit, in the region of £89,910, was required to be spread amongst all employers in the Fund.
- As the above was not the first such instance of the Fund having to subsidise a deficit due to there not being a guarantor and having requested details previously, the Vice Chairman asked that **officers provide a list of admitted bodies that had no guarantor and also provide a note that sets out the legal position regarding any culpability on Charity trustees to the deficit of a charity they were trustees too. Action: C Blose**

It was resolved unanimously to note:

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

- Aramark
- Freedom Leisure
- P3 – People, Potential and Possibilities
- YMCA

The following 13 new admitted bodies relate to the closure of Cambridgeshire County Council Cleaning and Catering Service (CCS):

- ABM Catering Ltd
- Aspens Services Ltd
- Caterlink Ltd
- Easy Clean Ltd
- Edwards & Blake Ltd
- Nourish
- Pabulum
- VHS Cleaning Services Ltd
- Alliance in Partnership
- Clean Tec Services
- Ecocleen
- Nightingale Cleaning Ltd
- Taylor Shaw Ltd

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

- Orbis Primary Trust

3. The winding up of Drinksense and their ability to only partially fund their exit payment.

110. 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.

111. ACCESS ASSET POOLING UPDATE

This report updated the Committee on the progress of the Access asset pooling project.

It was resolved:

To Note the Asset Pooling Update.

112. DATE OF NEXT MEETING 28th MARCH 2019

Chairman
29th March 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 13 December 2018 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 11 March 2019.

Outstanding actions from 18 October 2018 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
91.	Outline of Valuation Process	Mark Whitby/ Joanne Walton	Salary growth showing as 1% per annum until March 2020 – in a reply to a question raised in the light of the Prime Minister's recent announcement regarding the end of austerity, it was confirmed this would be reviewed.	Completed – being covered in this meeting under the Valuation Update.

Outstanding actions from 13 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 – the ESCROW account has been opened and the first transfer of liabilities was made on the 26 February. The ESCROW 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.
101.	Pension Fund Annual Business Plan Update	Paul Tysoe	Councillor Robertson requested that he should be sent a copy of the UK Stewardship code.	Completed – actioned 14 th December 2018.

101.	Pension Fund Annual Business Plan Update	Paul Tysoe	There was a request for an update on the workshop agreed for January. No date had yet been finalised, but officers would contact members with a suggested date shortly.	Completed - Following confirmation from the Chairman of availability invitations have been issued including substitutes.
102.	Administration Performance Report	Michelle Oakensen	The Committee would like an explanation as to why there was been a big drop for employers being paid on time for the May period.	Completed – The KPI for May was incorrect and should have been 98.2%. The error occurred due to a new system being introduced at this time. The team have double checked all information provided since the system change and previous percentages reported remain unchanged.
102.	Administration Performance Report	Michelle Oakensen	Seek a legal view from LGSS Law to determine whether it would reputational damaging or commercially sensitive to report employers names who are providing late payments to the fund in appendix 2.	Completed – Advice received from Democratic Services with involvement from the Monitoring Officer who confirm the item will need to stay private under the terms of the Constitution as the information is commercially sensitive.
103.	Governance and Compliance Report	Joanne Walton	A concern was raised regarding the data score as other LGPS Funds have calculated their data scores different. The Pensions Regulator will need to be contacted to convey these concerns.	Completed – this has been picked up by the Scheme Advisory Board at a national level.
104.	Cambridgeshire Pension Fund Training Strategy 2018	Paul Tysoe	There was a request to alternate the venues for future joint training days between Grafham Water and Knuston Hall instead of using Wyboston Lakes.	Completed – Future events will consider appropriateness of venue. It is recognised that all current venues should be included when considering the most suitable, however Grafham and Knuston will be prioritised.
109.	Employer Admissions and Cessation Report	Cory Blose	The Vice Chairman has requested for a list to be provided of admitted bodies that have no guarantor and to also provide a note that sets out the legal position regarding any culpability on Charity trustees to the deficit of a charity that they were trustees to.	Completed – advice has been sought and each Charity will be assessed on a case by case basis as the culpability is dependent on how it was set up.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund External Audit Plan for year ended 31st March 2019
Purpose of the Report	To present Ernst & Young's audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31 st March 2019.
Recommendations	The Committee are asked to receive the presentation.
Enquiries to:	Tracy Pegram TPegram@northamptonshire.gov.uk , 07917 197467

1. Background

- 1.1 Ernst & Young (EY) have been appointed as Independent External Auditors to provide an audit opinion on:
- whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and
 - the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.
- 1.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit and the planned delivery of the audit process. An Associate Partner from Ernst & Young, Mark Hodges, will attend this meeting to present the audit plan.

2. Report content

- 2.1 Page 5 of the accompanying report identifies the key risks and areas of auditor focus, and page 9 of the report details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

Risk/area of focus	Audit approach	Fund approach
Misstatements due to fraud or error	<ul style="list-style-type: none"> Identify fraud risks at planning stage Inquire of management how risks are mitigated by controls Understand the level of oversight within processes Consider effectiveness of controls Use appropriate audit strategy to address risks identified Perform mandatory procedures, including detailed testing 	<ul style="list-style-type: none"> Ensure process notes include identified risks Provide written process notes which detail controls
Investment income and asset valuations – investment journals	<ul style="list-style-type: none"> Test year end journals Review reconciliations of Investment Manager to Custodian reports Re-perform investment notes in Statement of Accounts Check reconciliation of holdings in Net Assets Statement to source reports Agree quoted investment income to source reports 	<ul style="list-style-type: none"> Make copy journals available Provide quarterly reconciliation reports Liaise with Investment Managers to provide information to auditors on a timely basis
Unusual Investments – Cambridge and Counties Bank and Cambridge Building Society	<ul style="list-style-type: none"> Review Grant Thornton's external valuation of the Bank and consider appropriateness of assumptions used Values used are in line with relevant accounting policies Value of the Bank is in line with Grant Thornton's valuation report 	<ul style="list-style-type: none"> Instruct Grant Thornton to provide a valuation report for the Bank and make this, and supporting information, available to the auditor Provide working papers demonstrating the value used at the year end and the valuation methodology

- 2.2 Page 15 of the accompanying report sets out the planned materiality levels for the audit, which are planned to be:

Audit Area	Materiality
Net Assets	£2.9bn
Planning Materiality	£29.69m
Performance Materiality	£14.8m
Audit Differences	£1.4m

- 2.3 Page 23 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	December 2018-January 2019	Completed
Walkthroughs/Interim Audit	February – April 2019	In progress
Report audit plan	28 March 2019	In progress
Substantive testing	May – July 2019	-
Audit Results Report	Mid July 2019	-

3. Relevant 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.

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.

4. Risk Management

- 4.1 This item is for the information of the Committee and therefore does not give rise to identifiable risk. The audit process however, is required by regulation and it is therefore important that Committee members are informed of the planned process and receive appropriate updates.
- 4.2 The risks associated with the audit process, which EY's audit plan informs, have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	The information provided to the Committee by EY's report enables them to fulfil their responsibilities in an informed manner.	Amber
Production of incorrect accounts, notices and publications	The audit process is designed to address the risks of material misstatement within the Fund's Statement of Accounts.	Green
Potential fraudulent activity by staff	The audit process is designed to address the risks of fraudulent activity by staff in recording and operating the Fund's financial controls.	Green
Pension Fund Investments may not be accurately valued	The audit process is designed to provide assurance that key areas are free from material misstatement.	Green
Pension Fund accounts are not accurately maintained	The audit process is designed to provide assurance that Statement of Accounts are free from material misstatement.	Green

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

5.1 None

6. Legal Implications

6.1 None

7. Consultation with Key Advisers

7.1 The Audit Plan has been produced by the Fund's external auditors, EY.

8. Alternative Options Considered

8.1 Not applicable.

9. Background Papers

9.1 None

10. Appendices

10.1 Appendix 1 – Cambridge Pension Fund Audit Plan Year ended 31 March 2019, dated 13 February 2019. Author: Ernst & Young (EY)

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019



Cambridgeshire Pension Fund

Audit Plan

Year ended 31 March 2019

13 February 2019



Audit and Accounts Committee / Pensions Committee Members,
Shire Hall,
Castle Hill,
Cambridge, CB3 0AP.

13 February 2019

Dear Audit and Accounts Committee / Pension Committee Members,

2018/19 External Audit plan - Cambridgeshire Pension Fund

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Accounts Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Accounts Committee, the Pension Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Accounts Committee and management of the Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of the Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of the Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

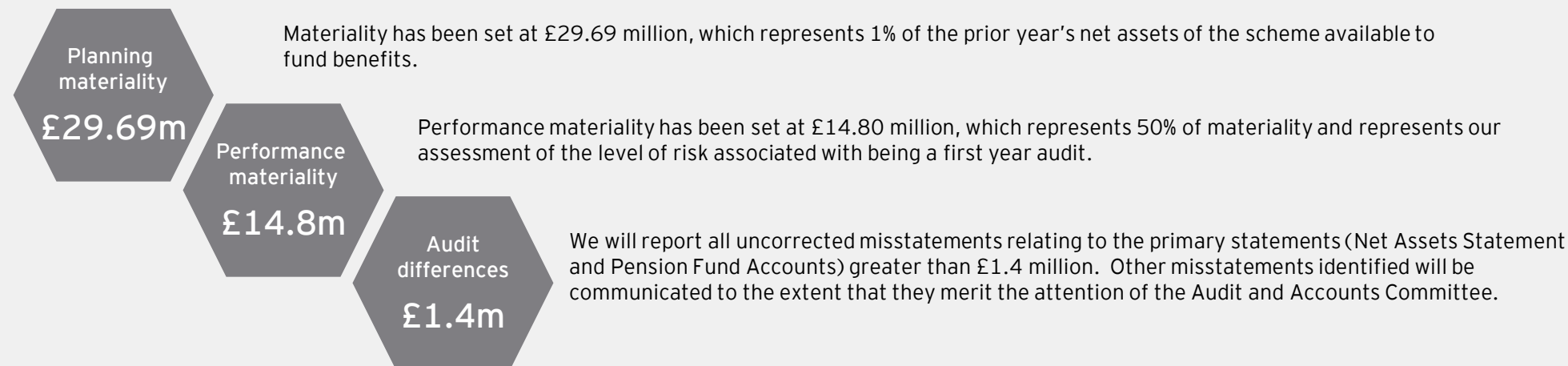
Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
Investment income and assets - Investment Journals	Fraud risk	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely area is to affect investment income and assets in the year, specifically through journal postings.
Unusual Investments - Cambridge and Counties Bank (CCB) and Cambridge Building Society (CBS)	Significant Risk	<p>These investments are hard to value level 3 investments as lack of observable inputs and prices are not publically available.</p> <p>From a review of the 2017/18 financial statements, the Fund has a total of £189 million included for private equity, £70 million of this is the investment in C&C Bank. The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.</p> <p>We consider this an non-routine investment for a pension fund, which requires specialist valuation. On this basis, we have deemed it a significant risk.</p>

Overview of our 2018/19 audit strategy

Audit risks and areas of focus		
Risk / area of focus	Risk Identified	Details
Valuation of complex investments (Unquoted investments excluding CCB and CBS)	Inherent Risk	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p>
Pension Liability assumptions (IAS 26)	Inherent Risk	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p>
Implementation of the new ERP financial ledger system	Inherent Risk	<p>From April 2018 a new ERP system was introduced across all LGSS clients.</p> <p>We consider this to carry an inherent risk due to the one off nature of the data transfer, which if done incorrectly would impact on the bought forward balances. Also, the mapping within the system can impact on the classification of certain balances within the financial statements. We need to understand the new financial system mapping and walkthrough the new transaction flows.</p>
Implementation of new accounting standards	Inherent Risk	<p>The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.</p>

Overview of our 2018/19 audit strategy

Materiality



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Considering the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including; <ul style="list-style-type: none"> ▶ testing of journal entries and other adjustments in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; and ▶ evaluating the business rationale for significant unusual transactions. <p>We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.</p>

Our response to significant risks (continued)

	What is the risk?	What will we do?
Investment income and asset valuations - Investment Journals*	<p>We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.</p> <p>We have identified the main area being;</p> <ul style="list-style-type: none"> Investment income and asset valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings. 	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> Test journals at year-end to ensure there are no unexpected or unusual postings; Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences; Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers; Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

Our response to significant risks (continued)

	What is the risk?	What will we do?
<p>Unusual Investments - Cambridge and Counties Bank (CCB) and Cambridge Building Society (CBS)</p>	<p>These investments are hard to value Level 3 investments as lack of observable inputs and prices are not publically available.</p> <p>CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). In the prior year the bank investment represented the largest single private equity investment by the fund. GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.</p> <p>These investments are not publicly listed and as such there is a degree of judgement in their valuation.</p> <p>From a review of the draft 2017/18 financial statements, the Fund has a total of £189 million included for private equity, £70 million of this is the investment in CCB. The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Engaging with EY Pensions/Valuation team who will undertake a review of the valuation provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation; ▶ We will ensure that investments have been valued in accordance with the relevant accounting policies; and ▶ The audit team will test the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert - GT.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><u>Valuation of Complex Investments (Unquoted Investments)</u></p> <p>The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.</p> <p>Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>The proportion of the fund comprising of these investment types in 2017/18 is at circa 14%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Assessing the competence of management experts; ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used; ▶ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and ▶ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
<p><u>New ERP System</u></p> <p>From April 2018 a new ERP system was introduced.</p> <p>We consider this to carry an inherent risk due to the one off nature of the data transfer, which if done incorrectly would impact on the bought forward balances. Also, the mapping within the system can impact on the classification of certain balances within the financial statements. We need to understand the new financial system mapping and walkthrough the new transaction flows.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ use data analytics to test opening balances; ▶ analytical review on prior year closing balances and current year opening balances; and ▶ testing the of transfer of balances to the new system

Other areas of audit focus (Continued)

What is the risk/area of focus?

Pension Liability Assumptions (IAS26)

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.

New accounting standards

The CIPFA Code of practice on local authority accounting (the Code) requires the Pension Fund to comply with the requirements of two new accounting standards for 2018/19. These standards are:

IFRS 9 – Financial Instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 – Revenue from contracts

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- ▶ Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and observable data; and
- ▶ Agree the disclosure to the information provided by the actuary.

We will:

- ▶ Assess the Pension Fund's implementation arrangements that should include an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19 including;
- ▶ For IFRS 9 Consider the classification and valuation of financial instrument assets;
- ▶ For IFRS 15 consider application to the Fund's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £29.69 million. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £14.8 million which represents 50% of planning materiality. As this is our first year auditing the pension fund we are required to set performance materiality at this lower level compared to previous years.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.



04

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Accounts Committee.

Internal audit:

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.



05

Audit team



Audit team

Audit team structure:



Mark Hodgson
Lead Audit Partner



Sappho Powell
Audit Manager

Rama Karia
Senior

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their Pension Fund audits. Mark Hodgson is supported by Sappho Powell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. The day-to-day audit team will be lead by Rama Karia.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	Hymans Robertson (Cambridgeshire Pension Fund actuary) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team
Investment Valuation	The Pension Fund's custodian and fund managers EY Pensions Advisory Team EY Real Estate Valuation Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06

Audit timeline





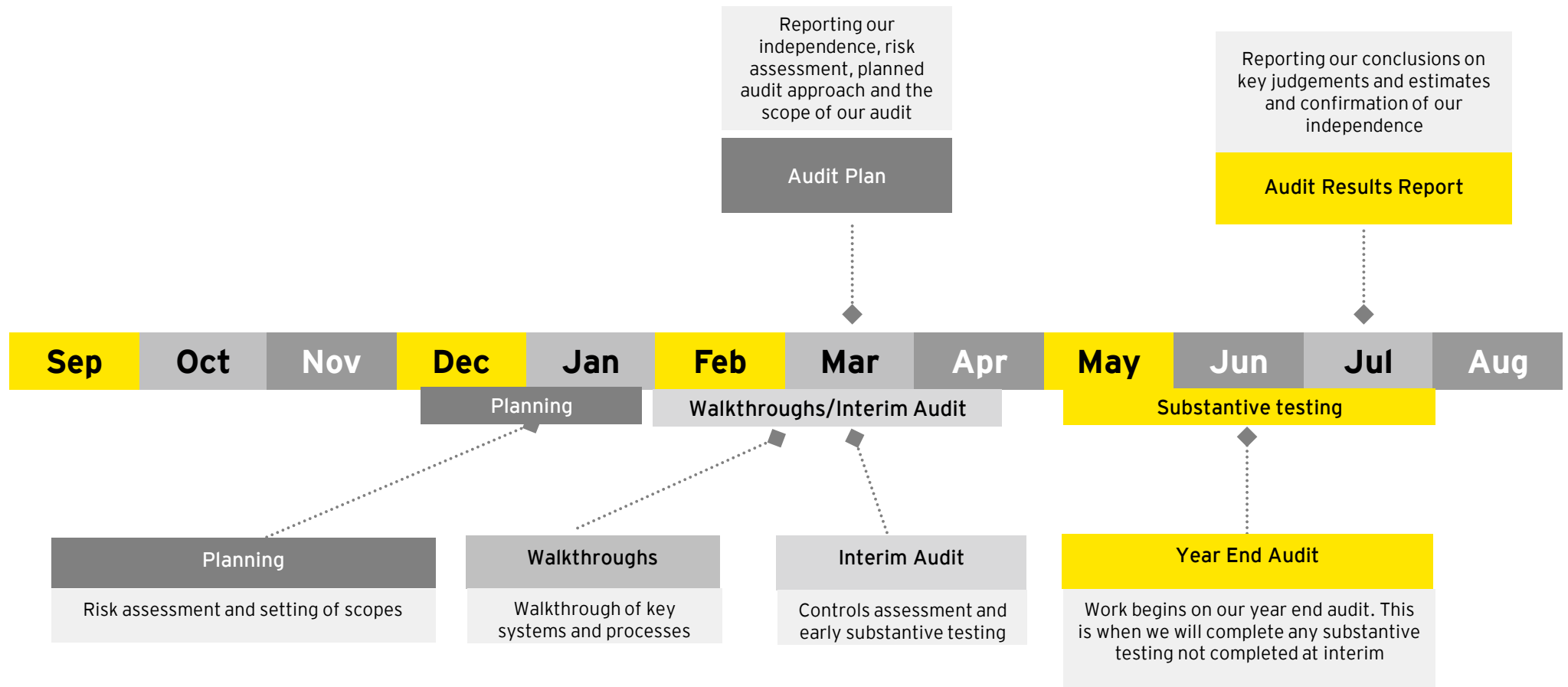
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work	22,756 (Note 1)	17,256	22,410
Total fees	22,756	17,256	22,410

All fees exclude VAT

Note 1 - We anticipate charging an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This is subject to formal approval by PSAA Ltd under their scale fee variation approval process.

Due to the significant risk raised in relation to the valuation of Cambridge & County Bank and Cambridge Building Society we envisage this will require audit procedures above that assumed within the current scale fee and therefore we will be seeking to charge an additional fee in this respect. The extent of these procedures will be kept under review and we will discuss this with management to assess the impact on the audit fee.

The agreed fee presented is based on the following assumptions:




- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Appendix B




Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - March 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019




Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019




Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - March 2019</p> <p>Audit Results Report - July 2019</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee Committee may be aware of 	Audit Results Report - July 2019
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - March 2019 Audit Results Report - July 2019

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 28th March 2019

Report by: LGSS Chief Internal Auditor

Subject:	Internal Audit Report 2018-19
Purpose of the Report	To present the findings of Internal Audit work during 2018-19.
Recommendations	The Pension Committee is asked to note the Internal Audit work during 2018-19.
Enquiries to:	Stephen Mangan, Audit and Risk Manager, LGSS Internal Audit Tel: 01604 365921 Email: SMangan@northamptonshire.gov.uk

1. Background

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

2. Findings

- 2.1 During 2017-18, Internal Audit work focused on the annual audit of the administration of the Cambridgeshire Pension Fund.
- 2.2 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance for both the control environment in place and for compliance. The full report is included as Appendix A.

3. Relevant Pension Fund Objectives

- 3.1 The audit work undertaken was designed to support the Pension Service in achieving

its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service.

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>
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. <i>Objective 9</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>
Promote the Scheme as a valuable benefit. <i>Objective 12</i>
Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits. <i>Objective 14</i>
Ensure cash flows in to and out of the Fund are timely and of the correct amount. <i>Objective 16</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>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

4. Risk Management

- 4.1 Good governance ensures that the Pension Fund is appropriately managed and has oversight by audit to ensure transparency.
- 4.2 The risks associated failing to independently assess the Pension Fund have been captured in the Fund's risk register as detailed below –

Risk register	Risk mitigated	Residual risk
Governance (risk 15)	Failure to understand and monitor risk and compliance	Green
Governance (risk 18)	Failure to provide adequate information to the Pension Committee/Board	Green

- 4.3 The full risk register can be found on the LGSS Pensions Website at the following link: <https://pensions.northamptonshire.gov.uk/governance/keydocuments/cambridgeshire>

5. Finance & Resources Implications

- 5.1 There are no finance or resource implications associated with this policy.

6. Communication Implications

Direct Communications	The work of auditors is transparent and reported to the Pension Committee.
Website	The report will also be published on internet.

7. Legal Implications

- 7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with the Code.

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 A – Internal Audit Report: Administration of the Cambridgeshire Pension Fund 2018-19.

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	No

budget and/or policy framework?	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers– 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

Internal Audit Report

Administration of the Cambridgeshire Pension Fund

Governance Opinion

Control Environment	Substantial
Compliance	Substantial
Organisational Impact	Minor

Report Issued	22 February 2019
Follow Up due	May 2019

Executive Summary

1 Background

- 1.1 LGSS Pensions administers the Local Government Pension Scheme on behalf of Northamptonshire County Council and Cambridgeshire County Council.
- 1.2 The administration of the scheme is subject to an annual audit and provides assurance around arrangements to the employer organisations, the Pensions Committee and also the Pension Fund's External Auditors.
- 1.3 In the 2017/2018 review, substantial assurance was provided around the effectiveness of arrangements in place.

2 Audit Approach / Scope (including Volume / Value Indicators)

- 2.1 There are 150,000 members of the Northamptonshire and Cambridgeshire Pensions Funds and circa 500 scheme employers, the service holds a portfolio of assets in excess of £5 billion.
- 2.2 The objectives of this review will be to ensure that:
 - New members are set up accurately (including transfers in) and on a timely basis.
 - The correct contributions are received from employer organisations on a timely basis.
 - Appropriate action is taken upon notification that a member has left the scheme.
 - Pension payments are made in accordance with LGPS regulations and in line with relevant administering authority and employing authority discretions.
 - Pension payments are paid at the correct amount with the correct rate of annual increase.
 - Reconciliations are completed for key financial areas.

The review also followed up actions agreed in the 2017/2018 review.

APPENDIX A

3 Internal Audit Opinion and Main Conclusions

3.1 Main conclusions

Based on the completion of our fieldwork we are giving **Substantial** assurance for the control environment covering LGPS administration and **Substantial** assurance for compliance.

The assurance level reflects our view that effective and embedded procedures are in place to oversee the administration of pensions. The 2017-18 review included recommendations linked to specific reviews / reconciliations. These are considered below:

- Employer and Employee Contribution Reconciliations – Apart from one employer, the 2016-17 reconciliation is now almost complete and the 2017-18 reconciliation is currently in progress with the focus on investigating variances identified.
- A review of suspended Pensioners – This review is still ongoing and of the 115 cases, only 25 still require investigation. Additionally, a process has now been implemented to ensure suspensions are subject to timely review.

Whilst technically, these previous recommendations have not been fully completed, we are satisfied that a defined process is in place to complete the above and that such exercises are progressing. We have not made recommendations around completing these given the difficulty in determining with any certainty when they will be completed, although we will follow up these matters in the 2019-20 review of the Cambridgeshire Pension Fund

With regard to the recommendation regarding the historical payroll / Altair record reconciliation agreed in the 2017-18 review, progress has been made on the outstanding queries and the previously agreed target of completing this exercise by the end of March 2019 is still on track based on discussions with management of the service

4. Main recommendations

For each of the issues identified we have agreed actions in the action plan. When implemented these will positively improve the control environment.

Detailed agreed actions are listed within the Management Action Plan (MAP) at pages 8 to 11 of this report.

APPENDIX A

DETAILED FINDINGS

5 Control Objective (1) - New members are set up accurately (including transfers in) and on a timely basis.

5.1 Employers are responsible for notifying LGSS Pensions of any new employees or existing employees who wish to join the pension scheme. This information is currently provided by a number of mechanisms both manual and automated.

5.2 Analysis highlighted that the Pensions Systems Team undertake checks on information received to ensure that only correct and complete records are uploaded into Altair which then is used to create the member record. Progress with these tasks is monitored to ensure that employer's data is processed on a timely basis.

5.3 New members who wish to transfer in from another pension scheme are able to do so providing they complete the appropriate forms and meet key criteria. Ten transfers into the Cambridgeshire Pension Fund (CPF) were tested and controls were found to be working effectively in that:

- A transfer in request form was on file signed by the member.
- The pension certificate has been provided by the previous pension provider.
- A calculation of the transfer in value was on file which had been subject to review and authorisation.
- The payment had been received from the previous pension provider.
- The member's pension record on Altair had been updated accurately.

6. Control Objective (2) - The correct contributions are received from employer organisations on a timely basis.

6.1 A clearly defined process is in place to oversee the monthly payment of employer contributions to the CPF. A review of contribution records for 10 employers found that:

- Contributions reflected in the PEN18 returns were in the main agreed as accurate. Where variances existed these were minor in value and had been investigated and resolved with the relevant employer. Improved processes in this area have resulted in these queries being dealt with promptly which should have a significant impact on the year end reconciliations which takes place.
- Payments were received from employers in line with agreed deadlines.
- Payments received were traced to Pension Fund bank account.

APPENDIX A

6.2 In addition to the monthly process, an annual year end reconciliation of employers and members contributions to monies takes place. Analysis of the year end reconciliations for 2016-17 and 2017-18 highlighted the following:

- 2016-17 Reconciliation – At the time of producing the report, this exercise has been completed apart from one employer reconciliation which is currently in process.
- 2017-18 Reconciliation – This reconciliation commenced in October 2018 and work to date has identified the variances for follow up. This work is currently ongoing.

As mentioned, there is now a more effective monthly reconciliation taking place for 2018/2019 returns so the year end reconciliation may be simplified or may not be required in future years.

7. Control Objective (3) - Appropriate action is taken upon notification that a member has left his employment and / or the scheme, including transfers out.

7.1 Employers notify Pensions when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.

7.2 Ten transfers out of the pension scheme were reviewed and testing highlighted that:

- A transfer out request form was on file signed by the member.
- Evidence was on file to confirm the member had left their pensionable employment.
- A calculation of the transfer out value was on file which had been subject to review and authorisation.
- The payment had been made to the appropriate Pension Fund.

7.3 Notification of five pensioner deaths were reviewed and testing highlighted that:

- A death certificate was on file in all cases.
- The pension was stopped on a timely basis.
- A reconciliation had been completed to confirm if over / under payments had occurred and appropriate action was taken based on the findings.

8. Control Objective (4) Pension payments are made in accordance with LGPS regulations and in line with relevant administering authority and employing authority discretions.

8.1 Testing of 10 new pensioners and 10 dependent pensioners confirmed that effective controls were in place and pensions were paid without delay once all relevant confirmation and documents were received from the respective parties.

APPENDIX A

8.2 Calculations were made based on membership within the relevant scheme i.e. pre 2008, 2008 to 2014 and post 2014 with appropriate deductions made where relevant.

8.3 In the case of dependent pensioners their status was confirmed and for death in service / pensioner deaths a calculation of potential death grants was also completed.

9. Control Objective (5) Pension payments are paid at the correct amount with the correct rate of annual increase.

9.1 Controls were in place to ensure that the pensioner payroll was set up to pay the correct pension as per the calculation and any relevant adjustments e.g. interest for late payment and mid-month adjustments.

9.2 Twenty pensioner calculations and payments were checked (10 retirees and 10 dependents as considered in section 8) and all were found to be accurate.

9.3 The annual uplift process is an automated process as now pensioner and payroll records are now both held on the Altair System. Although evidence of the uplift processed was held and limited sample testing highlighted that the correct uplift had been actioned, no evidence had been retained to support the checks undertaken by Pensions to provide assurance that the uplift had been actioned accurately.

(See MAP 1)

9.4 In the previous audit, we identified that a number of member records had been suspended but there was not always a clear reason to support this decision. During 2018-19, work has been ongoing to review all suspensions and has to date found that for 115 cases covering CPF.

- 90 cases where after investigation, no further action is required.
- 25 cases are still being investigated including seven where a death certificate has been or will be requested to complete the review.

It was also agreed that a quarterly process would be set up to review suspensions, this has now been introduced through the task management processes within Altair.

10. Control Objective (7) Reconciliations are completed for key financial areas.

10.1 In addition the contribution reconciliation referred to in section 6 of the report, other reconciliations take place of the various Pension Fund bank accounts, the payroll control accounts and also between payroll and Altair. These are considered below.

APPENDIX A

10.2 Bank Reconciliations – CPF has four bank accounts in place (e.g. Accounts Receivable, Accounts Payable, Liquidities and Salaries). A review of reconciliations undertaken by the LGSS Business Systems Team during 2018-19 found that:

- Reconciliations were being completed on a timely basis and subject to management review.
- A re-performance of all the bank account reconciliations as at the end of June 2018 highlighted no issues of concern and found that unreconciled items were being resolved on a timely basis.

10.3 Payroll Control Accounts – A review of the monthly process to review net pay and payroll suspense control accounts during 2018-19 found that:

- Reviews were being completed on a monthly basis and subject to management review.
- A review of the net pay and suspense account reconciliations as at the end of December 2018 highlighted the following:
 - Documentation only included a list of unreconciled transactions along with a description of action taken. As such there is no assurance through the current process that the total value of unreconciled items agrees to the balance on the ledger. Discussions with the Payroll Service Delivery Manager highlighted that this is an oversight and that in undertaking her management review, she agrees the balance of the transactions to the ledger. It should be noted that Audit also verified the balance on the reconciliation to the ledger as part of our testing.
 - Whilst the number and value of unreconciled items is relatively small, such items are not being resolved on a timely basis. As at the end of December 2018, transactions as old as May 2018 are still unreconciled. Whilst LGSS Payroll complete the reconciliation, it is up to Pensions to resolve the un-reconciled transactions. During the audit, we have been unable to establish that a formal process exists between LGSS Payroll and Pensions to resolve unreconciled items on a timely basis.

(See MAP 2)

10.4 Reconciliation between pension payroll and Altair - The reconciliation between the historic pension payroll and Altair records was completed in 2017-18 and during 2018-19 steps have been taken to resolve the under and overpayments. An action was agreed in the previous audit that the reconciliation would be completed by the end of March 2019. As at January 2019 of the 365 queries highlighted, 256 have been resolved and a further 109 are still to be actioned.

APPENDIX A

Discussions with the Governance and Regulations Manager indicated that the service was still on target to meet the March 2019 deadline. It should be noted that the deadline relates to agreeing / commencing action to resolve under and overpayments as especially for overpayments, the monies could be recovered over a defined period where a repayment plan is agreed.

(See MAP 3)

MANAGEMENT ACTION PLAN

The Agreed Actions are categorised on the following basis:

Likelihood	H	S	I	E
	M	S	I	E
	L	S	I	E
	L	M	H	
				Impact

Essential

-

Action is imperative to ensure that the objectives for the area under review are met.

Important

-

Requires action to avoid exposure to significant risks in achieving objectives for the area under review.

Standard

-

Action recommended to enhance control or improve operational efficiency.

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
1.	<p><u>Annual Uplift Process for pensioners' payroll</u></p> <p>Although evidence of the uplift processed was held and limited sample testing highlighted that the correct uplift had been actioned, no evidence was retained to support the checks undertaken by Pensions to provide assurance that the uplift had been actioned accurately.</p> <p><u>Risk</u></p> <p>Incorrect payments are made.</p>	<p>Standard</p> <p>Evidence of checks undertaken should be retained on file.</p>	<p>Employer Services and Systems Team Manager</p> <p>30/4/19</p>

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
2.	<p><u>Payroll Control Accounts</u></p> <p>A review of the net pay and payroll suspense control accounts highlighted the following:</p> <ul style="list-style-type: none"> Documentation does not provide assurance over the review of payroll control accounts as whilst a list of unreconciled transactions are provided, the total value of transactions is not verified to the ledger balance. It should be noted that Audit also verified the balance as accurate through testing undertaken. Whilst the number and value of unreconciled items is relatively small, such items are not being resolved on a timely basis and we have been unable to establish that a formal process exists between LGSS Payroll and Pensions to resolve unreconciled items on a timely basis <p><u>Risk</u></p> <p>Unreconciled transactions are not reviewed. Transactions are not accurately recorded on the general ledger.</p>	<p>Standard</p> <p>To review arrangements in place to oversee the review payroll control accounts to ensure that:</p> <ul style="list-style-type: none"> A complete audit trail of relevant information (i.e. extract of ledger balance) is included in the review undertaken. A formal mechanism is put in place between LGSS Payroll and Pensions to ensure unreconciled transactions are cleared on a timely basis. 	<p><i>Pension Fund Accountant</i></p> <p>31/3/19</p> <p><i>Head of Payroll and HR Transactions</i></p> <p>31/3/19</p>

Ref.	Issues & Risks (Precis)	Agreed Action / management comments	Manager Responsible & Target Date
3.	<p><u>Historic payroll v Altair records reconciliation</u></p> <p>Since the last audit, of the 365 queries highlighted, 256 have been resolved and a further 109 are still to be actioned. Discussions with the Governance and Regulation Manager highlighted that the work is still on target to meet the deadline previously agreed of the end of March 2019.</p> <p><u>Risk</u> Incorrect payments continue to be made.</p>	<p>Important</p> <p>Ongoing monitoring takes place to ensure the exercise is completed by the agreed deadline.</p> <p><i>Note this is not a new recommendation but reflects the fact that the timing of the 2018-19 review was undertaken prior to the target date agreed last year.</i></p>	<p><i>Governance and Regulations Manager</i></p> <p>31/3/19</p>

Appendix 1 – Glossary / Definitions

Internal Audit is not permitted to be responsible for control / governance in order to protect its independent audit of those controls and systems. There are three elements to consider when determining an assurance opinion as set out below.

1 Control Environment / System Assurance

The adequacy of the control environment / system is perhaps the most important as this establishes the key controls and frequently systems 'police/ enforce' good control operated by individuals.

Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

2 Compliance Assurance

Strong systems of control should enforce compliance whilst ensuring 'ease of use'. Strong systems can be abused / bypassed and therefore testing ascertains the extent to which the controls are being complied with in practice. Operational reality within testing accepts a level of variation from agreed controls where circumstances require.

Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

3 Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Pension Fund open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Pension Fund open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Pension Fund open to low risk. This could have a minor impact on the organisation as a whole.

4 Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found, as set out in the MAP

For ease of reference, we have used a high/medium/low system to prioritise our recommendations, as follows:

E	<p>ESSENTIAL Failure to address the weakness has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The improvement is critical to the system of internal control and action should be implemented as quickly as possible.</p>	I	<p>Important Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The improvement will have a significant effect on the system of internal control and action should be prioritised appropriately.</p>	S	<p>Standard The finding is important to maintain good control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should implement promptly or formally agree to accept the risks.</p>
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Circulation Details:**Confidential**

Issued to Mark Ashton, LGSS Interim Managing Director
Chris Malyon, S151 CCC
Mark Whitby, Head of Pensions
Joanne Walton, Governance and Regulations
Manager
Paul Tysoe, Investments and Fund Accounting
Manager
Ben Barlow, Pension Fund Accountant
David Hannah, Head of Payroll and HR
Transactions

Date 22 February 2019

Lead Auditor Janette Lynn

Status of report Final Report

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update Report 2018/19
Purpose of the Report	To present the Pension Fund Business Plan Update for the period to 28 February 2019 to the Pension Fund Committee.
Recommendations	The Committee are asked to note the Pension Fund Business Plan Update for the period ending 28 February 2019 of the 2018/19 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 28 February 2019 of the 2018/19 Business Plan which was approved by the Pensions Committee on 28 March 2018.
- 1.2 A full list of the key fund activities for the 2018/19 financial year can be found in appendix 1 of this report.

2. Key Pension Fund Activities

2.1 Service Delivery

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Review staff retention		✓G		
SD3	Implement additional posts		✓G		

2.1.1 SD1 – Review staff retention

Action - Keep under review our ability to recruit and retain staff, ensuring any financial or reputational issues with a partner organisation do not adversely impact the governance and administration of the Fund and taking remedial action where necessary.

Update – As of end of February there have been no significant recruitment or retention issues to report. Approximately 60 permanent staff were on the staffing establishment in June 2018, and just 6 (10%) have left Pension Services. We have successfully managed to recruit specialist senior roles through both promotion and external recruitment.

On target for completion? Yes.

2.1.2 SD3 – Implement additional posts to structure

Action - Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds.

On target for completion? Completed. All posts have been recruited to.

2.2 Governance and compliance

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC4	Review Additional Voluntary Contribution fund range				✓G		
GC8	Guaranteed Minimum Pension reconciliation / rectification	✓G					
GC9	Pensioner administration v pensioner payroll records rectification	✓G				✓	

2.2.1 GC4 - Review Additional Voluntary Contribution (AVC) fund ranges

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 will appoint an external adviser to review and report on the fund ranges offered by the Fund's AVC providers Standard Life and Prudential and appropriate changes will be implemented accordingly.

On target for completion? Aon, the Fund's benefits and governance consultancy advisor were commissioned to conduct the review and have completed this work. A full report with a number of recommendations will be presented to the Pension Fund Committee at the June 2019 meeting.

2.2.2 GC8 - Guaranteed Minimum Pension (GMP) reconciliation / rectification

Action - Following the introduction of the end of contracting-out on 6 April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. HMRC is currently operating, until 31 December 2018, a reconciliation service in order for schemes to query and amend the data held.

On target for completion? All queries were submitted to HMRC by the deadline of 31 December 2018. Further information on this activity can be found in the Data Improvement Plan Progress report that will be presented to the Pension Fund Committee at this meeting.

2.2.3 GC9 - Pensioner administration v pensioner payroll records rectification

Action - In October 2016, the Fund migrated its pensioner payroll from the County Council's Oracle payroll solution to Altair payroll and in January 2017 the Altair pensioner administration records were merged with the Altair pensioner payroll records and following an analysis of the two sets of data a number of over and underpayments of pension were identified and require rectification.

On target for completion? This activity is on course to complete by 31 March 2019. Further information on this activity can be found in the Data Improvement Plan Progress report that will be presented to the Pension Fund Committee at this meeting.

2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM5	Review resilience to cyber crime		✓G				
CSEM7	Development of employer resources		✓G			✓	
CSEM10	Preparation for the 2019 valuation				✓G		

2.3.1 CSEM5 - Review resilience to cyber crime

Action - Cybercrime is becoming an increasing threat to pension funds so it is important to review resilience to such attacks via both internally and externally hosted platforms.

Update – A report has been prepared about the Fund's resilience to cybercrime. The report identifies the procedures, arrangements and technology in place within LGSS, Cambridgeshire County Council and with partners such as Aquila Heywood and Hymans Robertson. The report also identifies potential weakness in relation to human error and proposes some steps to educate officers on how to minimise susceptibility to cybercrime.

On target for completion? Yes, the report was due to be presented to this meeting of the Pension Fund Committee but has been rescheduled to the next meeting in June due to time restrictions on the March agenda.

2.3.2 CSEM7 – Development of employer resources

Action - The Fund will continue to investigate and implement appropriate improvements to the resources available to employers for providing accurate and timely information, including expanding the monthly collection of data via i-Connect.

Update – 56.2% of Cambridgeshire Pension Fund employers are using i-Connect. One of the main payroll providers supplying services to employers recently started providing data via i-Connect. An initial i-Connect extract from another provider has been received but some work is required to bring this to an acceptable standard, this is expected to be completed by the end of March.

A pilot has been running since January to test the new online version of i-Connect for smaller employers. This was extremely successful in the first month and will be rolled out to more employers from March 2019. All new employers will now only be given the two i-Connect options for providing the Fund with data.

On target for completion? The roll out of i-Connect to all remaining scheme employers is on track to be completed by 31 December 2019.

2.3.3 CSEM10 – Preparation for the 2019 valuation

Action - The Fund will work with the actuary to make preparations for the 2019 whole Fund valuation. This will include agreement of requirements and timescales for:

- engagement and training for officers and members of the Pension Committee and Local Pension Board
- communication and engagement with employers
- pre-valuation activities
- key activities and deliverables during the valuation
- actuarial assumptions
- disaggregation of employer pools

Update - Preparations for the 2019 valuation have begun with a number of pre-valuation activities now complete. A valuation update is on the agenda for this meeting with a presentation from the Fund Actuary which will provide detailed progress in this area.

On target for completion? All activities are currently on track.

2.4 Operations

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
Ops1	Processing of undecided leavers	✓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. An in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category is required.

On target for completion? Yes, further information on this activity can be found in the Data Improvement Plan Progress report that will be presented to the Pension Fund Committee at this meeting.

2.5 Investments, accountancy and cash flow management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
IA3	Local direct investment		✓G		
IA4	Responsible investment		✓G		
IA5	Asset pooling				✓G
IA6	Strategic Asset Allocation review		✓G		

2.5.1 IA3 – Local Direct Investment

Action - Appoint a manager to create a bespoke local investment fund for the Cambridgeshire Fund, capable of investing in a range of asset classes and to investment parameters agreed by the Pension Fund Committee. Appoint a consultant under Lot 2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an OJEU compliant manager procurement process.

Update - The 14th February 2019 Investment Sub Committee approved the appointment of the Foresight Group. Officers will work with Foresight to:-

- Design a detailed specification
- Undertake due diligence and legal advice
- Build a governance and monitoring framework, including an oversight Board

The next stage will be included in the 2019/20 business plan

On target for completion? Target Achieved for 2018/19.

2.5.2 IA4 – Responsible investment

Action - Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG (environmental and social governance) integration into investment manager decisions, and monitoring and reporting of investment manager voting.

Update – The original intention to sign up to the Stewardship Code was impacted by the delay in the issue of a revised Stewardship Code, the consultation for which is currently ongoing and the Funds discussion with ACCESS partner Funds in regard to a collaborative sign up through the asset pool. The Fund held a stewardship information day on the 13 February to consult with both the Pensions Committee and Local Pension Board. The outcome of this meeting was an clear indication from the meeting to progress signing up to the Stewardship Code, but to also take regard to the revised Stewardship Code when issued, and to consider working with likeminded Funds in ACCESS. A report on this matter will be presented at the May 2019 meeting of the Investment Sub Committee.

On target for completion? Target achieved for 2018/19.

2.5.3 IA5 – Asset pooling

Action - Progression of ACCESS asset pooling project in accordance with the ACCESS

project plan to deliver scale benefits, reduced costs and improved governance, meeting the Government asset pooling agenda.

Update - The development of the ACCESS asset pool continues to progress with the evolution of governance matters, in particular a governance manual which, will require a review of the Inter Authority Agreement, the creation of the ACCESS support unit, with a contract manager in place, and progress on the appointment of the Director position with technical leads being filled by officers across the partner Funds; and finally progress on the sub fund programme with implementation of tranche 2 ongoing and preparation to submit the third tranche prospectus to the FCA.

On target for completion? Target achieved for 2018/19.

2.5.4 IA6 – Strategic Asset Allocation review

Action - Undertake a full review of the strategic asset allocation of the Fund to ensure the Fund has an appropriate allocation between asset classes in light of its liabilities and funding level. Review to include the different role each asset class plays in the portfolio construction and an investigation into different solutions available for the Fund to invest in.

Update – The 15th February Investment Sub Committee agreed the revised asset allocation which will be submitted at this Pension Fund Committee meeting for approval, in addition to a revised Investment Strategy Statement for approval.

On target for completion? Target Achieved for 2018/19.

3. Relevant Fund objectives

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

4. Risk Management

- 4.1 The Pension Committee approves the Annual Business Plan and Medium Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension 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 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 A full version of the Fund risk register can be found at the following link – <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire>

5. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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6. Legal Implications

6.1 Not applicable

7. Consultation with Key Advisers

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

8. Alternative Options Considered

8.1 Not applicable

9. Background Papers

9.1 Annual Business Plan and Medium Term Strategy 2018/19 –

<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/01/AnnualBPandMTStrategyCPFExecutiveSummary2018-19.pdf>

10. Appendices

10.1 Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

Checklist of Key Approvals	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 12 March 2019

Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

Service Delivery

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

Governance and Compliance

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC1	Legal services procurement		✓				
GC2	Mortality screening / member tracing services procurement			✓			
GC3	Soft market testing for administration and payroll system procurement						✓
GC4	Review Additional Voluntary Contribution fund range				✓		
GC5	The General Data Protection Regulation compliance	✓					
GC6	Data improvement plan			✓			
GC7	Liability reduction exercises					✓	
GC8	Guaranteed Minimum Pension reconciliation / rectification			✓			
GC9	Pensioner administration v pensioner payroll records rectification		✓			✓	

Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM1	Employer covenant monitoring		✓				
CSEM2	Investigate and prepare for move to electronic communications as standard		✓				
CSEM3	Promotion of member self service		✓				
CSEM4	Monitoring/understanding the member experience	✓					
CSEM5	Review resilience to cyber crime	✓		✓			
CSEM6	<i>In-house hosting by LGSS IT</i>		✓				
CSEM7	Development of employer resources		✓			✓	

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

Operations

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
Ops1	Processing of undecided leavers			✓			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓					

Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA1	Investment consultancy services re-tender					✓	✓
IA2	Global custody services re-tender					✓	
IA3	Local direct investment		✓				
IA4	Responsible investment		✓				
IA5	Asset pooling				✓		
IA6	Strategic Asset Allocation review			✓			

Cambridgeshire Pension Fund



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan and Medium-Term Strategy 2019/20 to 2021/22
Purpose of the Report	To present the Annual Business Plan and Medium-Term Strategy which details the Fund's key areas of activity over the period 2018/19 to 2021/22
Recommendations	The Committee is asked to approve the attached Business Plan and Medium-Term Strategy
Enquiries to:	Jo Walton – Governance and Regulations Manager Email: jwalton@northamptonshire.gov.uk

1. Background

1.1 It is considered good governance for the Cambridgeshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:

- Sets out the objectives of Cambridgeshire County Council (the administering authority) with regards to the management of the Fund;
- Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enables progress and performance to be monitored in relation to those priorities; and
- Provides a clear vision for the next three years.

1.2 The proposed Business Plan and Medium-Term Strategy for the Cambridgeshire Pension Fund for the period 2019/20 to 2021/22 is in Appendix 1.

2. The Business Plan and Medium-Term Strategy

2.1 The Business Plan and Medium-Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the following core areas:

- Service delivery
- Governance and compliance
- Communications, systems and employer management
- Operations

- Investments and fund accountancy

2.2 Progress made against the Business Plan will continue to be reported to the Committee at each meeting via the Business Plan Update report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.

2.3 Estimated costs for the non-business as usual activities in appendix 1 have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these will be notified to the Pension Committee via the Business Plan Update report.

3. Relevant 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.

Continually monitor and measure clearly articulated objectives through business planning. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
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4. Finance & Resources Implications

4.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Committee each meeting.

5. Risk Management

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

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

5.3 The risks associated with failing to monitor progress made against the Business Plan and Medium-Term Strategy 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

5.4 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/northamptonshire/>

6. Communication Implications

Direct Communications	An update on progress made against the activities in the Business Plan will be presented to the Pension Committee each meeting.
Website	The Business Plan will be published on the Fund's website.

7. Legal Implications

7.1 Not applicable.

8. Consultation with Key Advisers

8.1 The Fund's current and future key advisers have been consulted in the Business Plan and Medium-Term Strategy where necessary, including Hymans Robertson and Aon Hewitt.

9. Alternative Options Considered

9.1 Not applicable.

10. Background Papers

10.1 Not applicable.

11. Appendices

11.1 Appendix 1 – Appendix 1 Annual Business Plan and Medium-Term Strategy 2019/20 to 2021/22

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 12 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

ANNUAL BUSINESS PLAN AND MEDIUM-TERM STRATEGY

2019/20 TO 2021/22

CAMBRIDGESHIRE PENSION FUND

Introduction

This is the business plan for the Cambridgeshire Pension Fund which is managed and administered by LGSS Pensions on behalf of Cambridgeshire County Council. The business plan details our priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2019/20, 2020/21 and 2021/22. The business plan was approved at the Pension Fund Committee meeting on xx. The business plan is monitored throughout the year and the Pension Fund Committee may be asked to agree changes to it.

The purpose of the business plan is to:

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

In addition, the business plan includes a budget for expected payments to and from the Cambridgeshire Pension Fund during 2019/20 including the resources required to manage the Fund.

Further information

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

Mark Whitby, Head of Pensions
MWhitby@northamptonshire.gov.uk
07990 556197

Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £2.97bn Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Cambridgeshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership is approximately 81,000 of which 27,000 are active members from 206 contributing employers and approximately 54,000 retired, survivor, deferred and other members.

Governance and management of the Fund

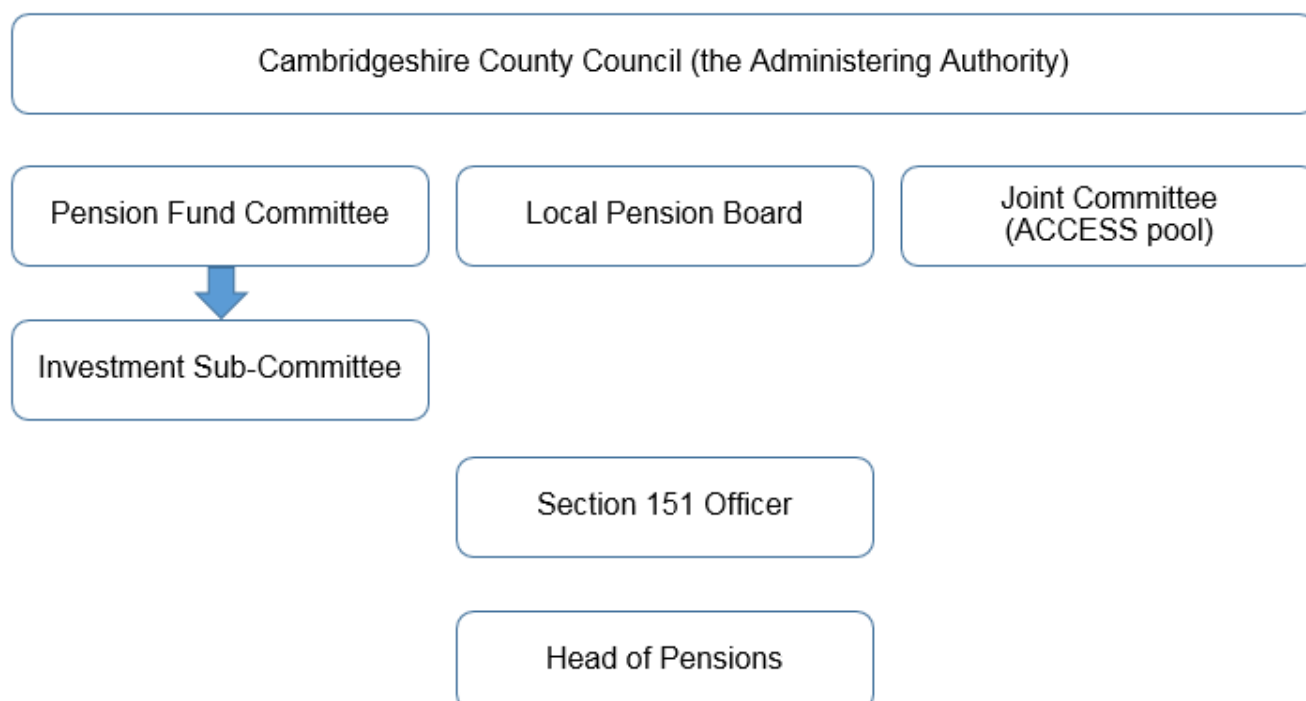
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

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

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

The governance structure is detailed below:



Administration of the Fund

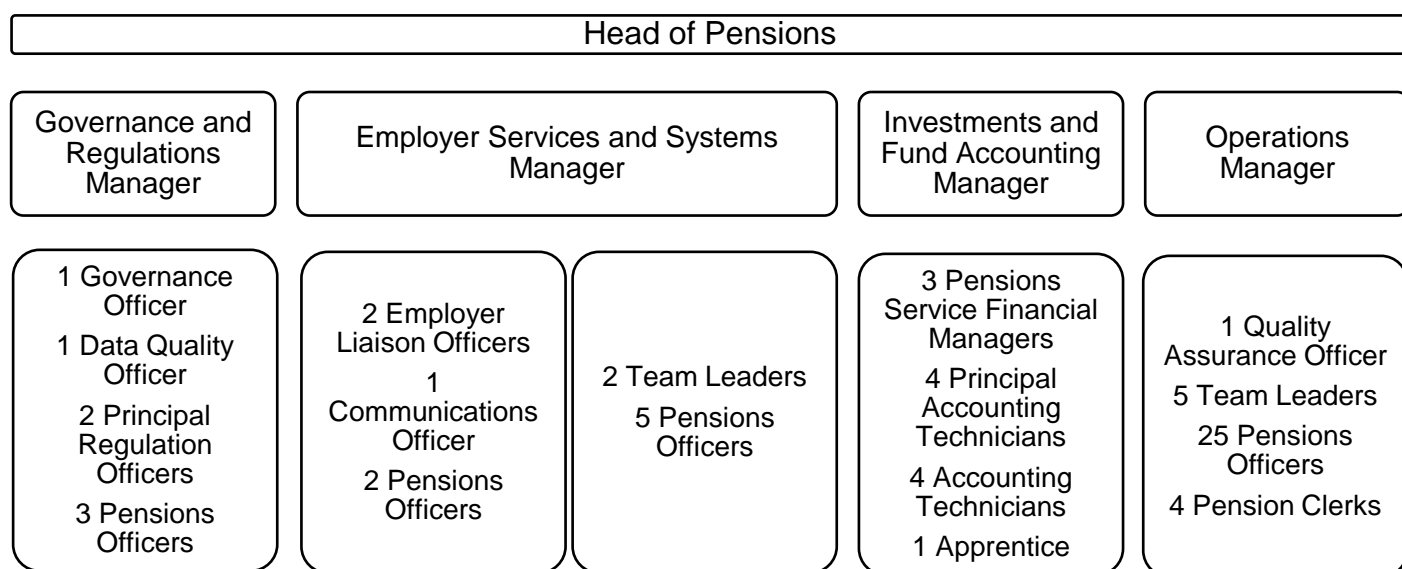
In 2012, the administration of the Cambridgeshire Pension Fund was merged with that of the Northamptonshire Pension Fund following the creation of LGSS, a shared service joint committee arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Funds, however remain as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

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

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

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

The structure of LGSS Pensions, which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31st March 2019 is illustrated below:



Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

To:

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- Continually monitor and measure clearly articulated objectives through business planning.
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- Maintain accurate records and ensure data is protected and used for authorised purposes only.
- Promote the scheme as a valuable benefit.
- Deliver consistent plain English communications to stakeholders.
- Provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- Ensure cash flows in to and out of the Fund are timely and of the correct amount.
- Ensure the long-term solvency of the Fund, taking a prudent long-term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

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

Business as usual

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

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

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

Governance

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

Accountancy

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

Funding

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

Investments

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

Administration

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

Payroll

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

Communication

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

Technical

- Maintaining and updating the pensions administration system.
- Ensuring presence, accuracy and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for GAD and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

The plan for the next three years

Key challenges and influences

The current environment is such that there is an unprecedented volume of external factors that could impact the management of the Fund, for example -

- The increased oversight by the Pensions Regulator, including compliance with the code of practice on governance and administration.
- New and amending regulations affecting the Local Government Pension Scheme.
- The national requirement to reconcile and rectify contracting out data held by the scheme with that held by HMRC following changes to the state pension.
- The increasing number of scheme members affected by the new pensions tax regime and reducing allowances on pension savings.
- The implementation of the Government's requirements to pool LGPS pension fund assets with other Funds.
- Seeking improved investment returns by making strategic allocations to non-traditional asset classes.
- Maintaining the skills and knowledge of officers and Committee members to comply with the requirements of MIFIDII.
- The increasing diversity of scheme employers including academies and multi-academy trusts.
- Finding new and innovative ways of working for the benefit of the Fund, the member and the scheme employer.

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

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

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

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

Budget

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

Cash flow projection 2018/19 to 2020/21

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

	2018/19 Estimate	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	£000	£000	£000	£000
Contributions ¹	129,000	128,000	131,000	133,600	136,000
Transfers in from other pension funds ²	4,907	4,200	4,200	4,200	4,300
TOTAL INCOME	133,907	132,200	135,200	137,800	140,300
Benefits payable	(101,000)	(102,930)	(105,000)	(107,100)	(109,200)
Payments to and on account of leavers ²	(7,246)	(6,750)	(9,100)	(9,300)	(9,400)
TOTAL PAYMENTS	(108,246)	(109,680)	(114,100)	(116,400)	(118,600)
	25,661	22,520	21,100	21,400	21,700
Management expenses	(8,494)	(8,120)	(10,040)	(9,860)	(10,320)
TOTAL INCOME LESS EXPENDITURE	17,167	14,400	11,060	11,540	11,380
Investment income less taxes on income	30,000	36,100	36,000	36,500	37,000
(Profit) and losses on disposal of investments and changes in the market value of investments ³	-	(100)	-	-	-
	77,000	17,100	84,000	88,300	92,000
NET RETURN ON INVESTMENTS	107,000	53,100	120,000	124,800	129,000
Net (increase)/decrease in net assets available for benefits during the year	124,167	67,500	131,060	136,340	140,380

Notes:¹ Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

² Future estimated transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 2016/17 to 2018/19.

³ Return on Investments have been calculated by applying the actuarial assumption of investment growth (+4%) to the prior year.

Management expenses

	2018/19 Estimate	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	£000	£000	£000	£000
Total administration expenses	(2,658)	(2,330)	(2,930)	(2,530)	(2,580)
Total governance expenses	(449)	(350)	(550)	(430)	(440)
Total investment expenses ⁴	(5,387)	(5,440)	(6,560)	(6,900)	(7,300)
TOTAL MANAGEMENT EXPENSES	(8,494)	(8,120)	(10,040)	(9,860)	(10,320)

Notes:⁴Investment expenses are mainly driven by fees paid to managers and are based upon the actuary's assumption of asset growth for the coming year.

Administration expenses

	2018/19 Estimate	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	£000	£000	£000	£000
Staff related	(1,436)	(1,250)	(1,400)	(1,430)	(1,460)
Altair administration and payroll system	(287)	(300)	(310)	(320)	(320)
Data improvement projects ⁵	(60)	(30)	(440)	-	-
CRM and new website	(25)	-	-	-	-
Communications	(23)	(30)	(30)	(30)	(30)
Other non pay and income	(212)	(100)	(120)	(120)	(130)
County Council overhead recovery	(615)	(620)	(630)	(630)	(640)
TOTAL ADMINISTRATION EXPENSES	(2,658)	(2,330)	(2,930)	(2,530)	(2,580)

Notes:⁵Data Improvement Projects include several initiatives to improve data and include GMP rectification costs, member address tracing and mortality screening (from 2019/20) and outsourcing the processing of existing backlogs.

Delivering the business plan

Monitoring and reporting

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

The updates will:

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

Key risks

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

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

The major risks as documented below are detailed in the Risk Register:

Governance

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

Funding and investment

Main risks:	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates.	Current risk rating: Red
What could increase risk?	A sustained fall in global markets, low interest rates, high inflation, inappropriate investment and funding strategy, failure of fund managers to meet investment targets, on-going austerity reducing employer budgets and the impact of externally led changes outside of the Fund's control.	

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

Administration and communication

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

Appendix 1 – Business Plan 2019/20 to 2021/22

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		✓			✓	

SD1 - Monitor staffing levels in line with organisational reform

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.

Timescale: All actions: Throughout 2019/20 into 2020/21

Resources and budget required: All internal costs for activities in 2019/20 will be met by existing resources and are included within the 2019/20 budget.

SD2 – Retain Customer Service Excellence standard accreditation

Retain Customer Service Excellence (CSE) Standard accreditation and develop and implement Action Plan from feedback received.

Timescale: Full assessment: Q2 2019/20 (Aug 2019)
 Develop and implement Action Plan: Q3 2019/20 (Nov 2019)
 Collate and submit information for assessment: Q1 2020/21 (Jun 2020)
 Interim assessment: Q2 2020/21 (Aug 2020)

Resources and budget required: External costs of £700 to apply for accreditation have been provided for within the 2019/20 budget.

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			✓			

GC1 – Procure a supplier of specialist legal advice

The Fund needs to procure its own supplier of Legal Services that has a specialism in pensions and investment law. As such the National LGPS Framework for Legal Services will be used to conduct the procurement to avoid a full OJEU procurement process. It is proposed that the procurement is undertaken jointly with Northamptonshire Pension Fund to benefit from economies of scale as has been achieved with other joint procurements.

Timescale:	Register for access to the Framework:	Completed Jan 2019
	Produce specification:	Q2 2019/20 (Sep 2019)
	Publish tender:	Q3 2019/20 (Oct 2019)
	Review bids:	Q3 2019/20 (Nov 2019)
	Award contract:	Q3 2019/20 (Dec 2019)
	Contract to commence:	Q4 2019/20 (Jan 2020)

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget.

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

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 Northamptonshire Pension Fund via the National LGPS Frameworks.

Timescale:	Produce specification:	Q1 2019/20 (Apr 2019)
	Publish tender:	Q1 2019/20 (Apr 2019)
	Review bids:	Q1 2019/20 (May 2019)
	Award contract:	Q1 2019/20 (May 2019))
	Contract to commence:	Q1 2019/20 (Jun 2019)

Resources and budget required: Anticipated external costs of £180k have been provided for within the 2019/20 budget.

GC3 - Obtain proof of continued existence of scheme members residing overseas

The Fund's Anti-Fraud and Corruption policy states that an exercise will be undertaken to prove the continuing existence of scheme members residing overseas every 2 years, to ensure pensions continued to be paid to the correct and eligible recipient. The exercise is due to take place again in 2019 and will be undertaken using two different methods.

The first method that will cover the majority of the overseas membership will be the Western Union's Proof of Existence service. The second method will cover members living in countries within which the Western Union service cannot operate in and those for reason of disability or inability to access a Western Union agent will receive a proof of existence certificate that would require witnessing by a suitable government official. These methods will also be used for deferred scheme members who are over the age of 50 that reside overseas to ensure that the most up to date information is held to enable the Fund to communicate important information about their entitlement as their retirement date approaches

Timescale:	Prepare communication to members:	Q2 2019/20 (Jun 2019)
	Commence processes with members:	Q2 2019/20 (Jul – Sep 2019)

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs relating to the Western Union Proof of Existence service of £7.5k have been provided for within the 2019/20 budget.

GC4 – Re-procurement for administration and payroll system

The Fund currently uses Aquila Heywood's Altair as its pensions administration and pensions payroll platform. The contract is due to expire on 30/09/2021 and, as such, it is deemed prudent to commence soft market testing in 2020/21 with a view to procuring a new contract on a joint basis with Northamptonshire Pension Fund. There is currently no framework for acquiring these services so a fully compliant OJEU process will need to be undertaken.

Timescale:	Soft market testing:	Undertaken Q4 2019/20 and Q1 2020/21
	Conduct tender:	Q3 2020/21
	Contract to commence:	1 October 2021

Resources and budget required:	All internal costs for activities in 2019/20 will be met by existing resources and are included within the 2019/20 budget.
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GC5 - Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution providers

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 Equitable Life and Prudential. The findings of this review will be discussed at the June 2019 meeting of the Pension Fund Committee and actions resulting from the recommendations from the report will commence thereafter.

Timescale:	Carry out recommendations as appropriate:	Q2 – Q4 2019/20
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Resources and budget required:	All internal costs will be met by existing resources and are included within the 2019/20 budget.
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GC6 – Scope liability reduction exercises

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

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

Timescale:	Scope exercise:	Q4 2019/20
	Conduct exercise:	Q1 - Q4 2020/21

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget.

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

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 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.

Timescale:	Completion of reconciliation stage:	Q1 2019/20 (Apr 2019 – dependency on HMRC)
	Direct award contract for rectification:	Q1 2019/20 (Apr 2019)
	Planning and testing, verification of results:	Q1 – Q4 2019/20 (Apr 2019 – Feb 2020)
	Communication with members:	Q4 2019/20 (Feb 2020)
	Amendments made to records:	Q4 2019/20 (Feb – Mar 2020)

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs of outsourcing the rectification stage to ITM Limited of £53k have been provided for within the 2019/20 budget.

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		✓				

CSEM1 – Incorporate employer covenant monitoring into the valuation cycle

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.

Timescale:	Actuary to provide employer risk register:	Q4 2018/19 (Mar 2019)
	Actuary to undertake detailed covenant assessments of high-risk employers	Q1 2019/20 (Apr 2019)
	Results to be considered when formulating the Funding Strategy Statement:	Q3 2019/20 (Jun 2019)

Resources and budget required: Internal costs will be met by existing resources and are included within the 2019/20 budget. External costs of £6k relating to the employer risk register have been provided for within the 2019/20 budget.

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 Fund's 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.

Timescale:	Induct new Communications Officer into the team:	Q1 2019/20 (Apr - May 2019)
	Set the objectives for digital communication:	Q1 2019/20 (May 2019)
	Produce the digital communication strategy:	Q2 2019/20 (Jun – Jul 2019)
	Pension Fund Committee to approve the digital communication strategy:	Q3 2019/20 (Oct 2019)
	Implement the digital communication strategy:	Q3 2019/20 (Nov 2019)

Resources and budget required: All internal costs, including the appointment of a Communications Officer will be met by resources included within the 2019/20 budget. Subsequent external costs resulting from the digital communications strategy will be provided for once quantified.

CSEM3 – Review cyber resilience

As holders of vast amounts of personal, sensitive and financial information, Pension Funds are exposed to both accidental and targeted cyber threats. Reviewing the Fund's resilience to cyber threats is an important part of managing the Fund's risks.

Timescale:	Carry out an updated review of the Fund's cyber resilience	Q4 2019/20 (Mar 2020)
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Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget.

CSEM4 – Implement monthly data collection for all employers

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.

Timescale:	Cease issuing old data collection interfaces to new employers:	Q1 2019/20 (Apr 2019)
	Migrate existing small employers to the online i-connect portal:	Q1 - Q3 2019/20 (Apr to Dec 2019)
	Migrate existing large employers to monthly i-connect extract:	Q2 – Q3 2019/20 (Sep – Nov 2019)

Resources and budget required: The facility to collect data on a monthly basis has already been purchased and all internal costs will be met by existing resources included within the 2019/20 budget.

CSEM5 – Manage the 2019 valuation

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.

Timescale:	Carry out pre-valuation data activities:	Q1 2019/20 (Apr to Jun 2019)
	Actuary carry out the Valuation:	Q2 2019/20 (Jul - Aug 2019)
	Issue whole Fund valuation results:	Q3 2019/20 (Oct 2019)
	Draft the Fund's Funding Strategy Statement:	Q3 2019/20 (Sep 2019)
	Funding Strategy Statement to be approved by the Committee:	Q3 2019/20 (Oct 2019)
	Consultation with scheme employers:	Q3 2019/20 (Nov – Dec 2019)
	Issue individual employer results:	Q3 2019/20 (Dec 2019)

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs of core actuarial fees (£31k) plus additional fees (£169k) have been provided for within the 2019/20 budget, however these costs may differ if non-standard work is required as the valuation progresses.

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	✓					

OPS1 – Processing of undecided leavers

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

A project commenced in 2018-19 to clear a ring-fenced backlog of unprocessed leavers. The volumes outstanding in each category as at January 2019 is set out in the table below. 15% of the original 5,823 cases had been cleared as of that date.

Category	Refunds	Deferred Benefit (single)	Deferred Benefit (multi)	Amalgamation	Total
January 2019	298	332	1,295	3,045	4,970

It is proposed to use the existing Benefits Consultancy contract with Aon Hewitt to assist with the clearance of the Multi Deferred Benefit casework. The staff underspend from 2018-19 will be used to fund this activity. The timescales for the full project are set out below.

Timescale:	Request missing leaving certificates (Multi DB):	Q1 2019/20 (Apr 2019)
	Process Multi DB casework:	Q3 2019/20 (Nov 2019)
	Request missing leaving certificates (Amalgamations):	Q2 2019/20 (Sep 2019)
	Design Amalgamations processing solution:	Q3 2019/20 (Oct 2019)
	Process Amalgamation casework:	Q4 2019/20 – Q3 2020/21
	Process outstanding Refund and Single DB cases:	Q3 2019/20 (Oct 2019)

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs for Multi DB stage are estimated to be £128k to £156k, with £156k being provided for within the 2019/20 budget.

OPS2 – Design a range of customer experience key performance indicators

The Fund's current 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.

This activity will require:

- Designing the process in which the customer experience is reported at different intervals
- Analysis of the scheme employer performance and how it impacts the customer journey
- Accurate reporting using Altair as well as in house applications to monitor and record performance
- Addressing a lack of responses from scheme members

Timescale:	Design the process of reporting the KPIs:	Q1 - Q2 2019/2020
	Identify the processes which will be evaluated first:	Q3 - 2019/2020
	Delivery of first customer journey KPIs:	Q4 – 2019/2020

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget.

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	Tender for an independent adviser			✓			
IA9	Complete sign up to the responsible investment stewardship code				✓		
IA10	Consider multi-fund investment strategies	✓		✓			
IA11	Implement the Local Economic Development Fund		✓				

IA1 – Continue development of the asset pool

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. The main activities of this project in 2019/20 are set out below.

Timescale:	Complete recruitment of the ACCESS Support Unit:	Q1 2019/20
	Complete on boarding of tranches 3, 4 and 5 sub-funds:	Q4 2019/20
	Commence non listed / illiquid assets:	Q4 2019/20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External ACCESS costs of £115k have been provided for within the 2019/20 budget.

IA2 – Implement the strategic asset allocation

The 15th February 2019 Investment Sub Committee agreed the asset allocation changes to be presented to the 22nd March Pension Committee for approval and adoption. The implementation of the revised strategic allocation is as follows.

Timescale:	Implement infrastructure mandates:	Q2 2019/20
	Implement revised equity mandates:	Q3 2019/20
	Review fixed income strategy:	Q3 2019/20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs legal costs of £10k and Investment Adviser costs of £75k have been provided for within the 2019/20 budget.

IA3 – Implement the cash management policy

The March 2019 Pension Fund Committee has been asked to approve the Fund's revised cash management policy. Implementation of this policy includes the use of an online cash monitoring and management application.

Timescale:	Full implementation:	Q1 2019/20
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Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External costs of £4k have been provided for within the 2019/20 budget.

IA4 – Extend global custody contract for 2 years

The Pension Fund Committee has approved a contract extension of two years for the Fund's global custody contract with Northern Trust. This extension ran from the expiry of the initial contract term on 30 September 2019. This extended contract will provide time for ACCESS partners to undertake a collective procurement for a successor global custody services supplier.

Timescale:	Extend contract:	Q2 2019/20
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Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External legal costs of £2k have been provided for within the 2019/20 budget.

IA5 – Re-tender collaboratively with ACCESS for global custody services

The Pension Fund Committee approved in principle the collective procurement of a global custodian, alongside ACCESS partners, in time to transition the Fund's custody arrangements before the expiry of the Fund's extended contract with Northern Trust. The collective procurement costs, mainly legal and procurement related will be contained in the ACCESS budget, which will be shared across all partners.

Timescale: Project dates TBC. Commencement estimated: Q3 2020/21

Resources and budget required: All internal costs will be met by existing resources and will be included within the 2020/21 budget once quantified.

IA6 – Implement online payment platform for employers' contribution payments

To implement an online payment platform for receiving contribution payments more efficiently into the Pension Fund bank account. This platform will enable online input, validation and payment of scheme employer contribution payments as well as auto-reconciliation of the payments once received. Design and implementation of the payment solution commenced in the 2018-19 year as an additional activity to the Business Plan.

Timescale: Implementation of solution: Q1 2019/20
Platform live with test party: Q2 2019-20
Launch platform for all employers: Q3 2019-20

Resources and budget required: All internal costs will be met by existing resources and is included within the 2019/20 budget.

IA7 – Re-tender for investment consultancy services

The investment consultancy contract with Mercer LLC was extended in September 2017 for three years and requires re-tendering in 2019/20 through the National LGPS Frameworks.

Timescale: Commence process: Q4 2019/20
Complete re-tender: Q2 2020/21

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External legal costs of £2k and procurement costs of £10k have been provided for within the 2019/20 budget.

IA8 – Tender for an independent adviser

It is proposed, subject to agreement of the Committee, to procure an independent investment adviser for the Fund. Northamptonshire Pension Fund has an existing arrangement which expires in January 2020 therefore it is proposed to share procurement costs in a joint exercise to coincide with Northamptonshire's re-tender process.

Timescale: Undertake tender: Q3 2019/20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External legal costs of £2k and procurement costs of £10k have been provided for within the 2019/20 budget.

IA9 – Complete sign up to the Stewardship Code

On the information day held on 13th February 2019 the Pension Fund Committee and Local Pension Board considered the issues regarding signing up to the Stewardship Code. The steer was to sign up to the Stewardship Code, taking account of the new code expected in July 2019 and collaboration with like-minded ACCESS partners.

Timescale: Complete sign up to the revised Stewardship Code: Q4 2019/20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External legal costs of £2k and advisory costs of £10k have been provided for within the 2019/20 budget..

IA10 – Consider multi-fund investment strategies

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.

A proposal will be brought to the Committee alongside the Funding Strategy Statement as part of the triennial valuation process. This would include a proposed implementation timeframe.

Timescale: Develop proposal with professional advisors Q1/Q2 2019/20
Funding Strategy Statement to be approved by the Committee: Q3 2019-20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External actuarial costs of £15k have been provided for within the 2019/20 budget.

IA11 – Implement the Local Economic Development Fund

The 14th February Investment Sub Committee approved the investment in a Local Economic Development Fund (LEDF) managed by Foresight Group. The Fund will engage with professional third party advisers to perform commercial and legal due diligence procedures and work with Foresight to develop the detailed investment guidelines and Governance framework before seeking approval of the Investment Sub Committee to launch the LEDF.

Timescale:	Design a detailed specification:	Q2 2019/20
	Undertake due diligence and legal advice:	Q2 2019/20
	Build a governance and monitoring framework, including an oversight Board:	Q2 2019/20
	Launch the Local Economic Development Fund:	Q3 2019/20

Resources and budget required: All internal costs will be met by existing resources and are included within the 2019/20 budget. External due diligence and legal costs of £110k have been provided for within the 2019/20 budget.

Pension Fund Committee
Date: 28 March 2019

Report by: Head of Pensions

Subject:	Revised Overpayment of Pension Policy
Purpose of the Report	To present the Overpayment of Pension Policy to the Pension Fund Committee.
Recommendations	<p>That the Pension Fund Committee:</p> <ol style="list-style-type: none"> 1. Delegates the authority for officers to write off all overpayments that are up to £250.00 (gross). (Paragraph 2.2). 2. Delegates the authority for officers to not seek recovery of overpayments resulting from the incorrect application of Guaranteed Minimum Pension. (Paragraph 2.3.2). 3. All other amendments to the policy as detailed in appendix 2.
Enquiries to:	<p>Name – Jo Walton, LGSS Pensions Governance and Regulations Manager</p> <p>E-mail – jwalton@northamptonshire.gov.uk</p>

1. Background

- 1.1 It is important for the Fund to have a policy on how overpayments of pension are managed once identified. Such a policy will provide assurance to the Fund's stakeholders that all overpayments are treated in a fair and equitable manner and that the Fund seeks to recover overpayments and has in place steps to prevent and also investigate potential fraudulent activity.
- 1.2 An Overpayment of Pension Policy will also strengthen the Fund's position should a complaint be made using the Internal Dispute Resolution Procedure (IDRP) which if exhausted without resolution, can be referred by the scheme member or their representative to the Pensions Ombudsman. Scheme members can also seek assistance from the Pensions Advisory Service (tPAS) at any stage.

- 1.3 An Overpayment of Pensions Policy was initially agreed by the Pension Fund Committee in October 2015 and was reviewed in June 2018. It is now deemed an appropriate time to review this policy due to the imminent commencement of the rectification stage of the Guaranteed Minimum Pension reconciliation project and in light of the course of action taken by other public service pension schemes in connection with this.

2. Changes to the existing Overpayment of Pension Policy

- 2.1 The intention of the revised policy remains the same as the existing policy whereby the Fund will attempt to recover all overpayments but with three key proposed changes.
- 2.2 The first proposed change to the policy is to increase the amount that officers have the delegated authority from the Pension Fund Committee to write off due to the recovery process being uneconomical to pursue. The current limit is £100.00 (gross), however it feels appropriate to raise this amount to no more than £250.00 (gross) as this is in line with the amount set by HMRC as being exempt from the unauthorised payment charge and will be at the same level as the policy allows overpayments as a result of a death scheme member to be written off.
- 2.3 The second proposed change to the policy is for the Pension Fund Committee to delegate authority to officers to write off overpayments that have been caused directly as a result of the non or misapplication of the Guaranteed Minimum Pension (GMP) element of a member's pension.
- 2.3.1 The application of GMP to a member's pension requires a high degree of technical understanding that can only reasonably be expected of a pensions practitioner. As such, and where there has been no explicit communication to the member that would mean that they could have known that their pension was being paid incorrectly as a result of the non or misapplication GMP, the overpayment of any value should be written off without the requirement for authorisation of senior officers as detailed in 17.1 of the policy.
- 2.3.2 Common practice across public service pension schemes following the national requirement to reconcile GMP liability held by pension schemes with that held by HMRC following the introduction of the new flat-rate state pension in April 2016 is that any overpayments that have resulted from the non or misapplication of GMP are written off. This action is further supported by the Local Government Pensions Committee (LGPC) of the Local Government Association (LGA).
- 2.3.3 ITM Limited, who were procured to reconcile the Fund's GMP liabilities have provided an early and estimated indication that the Cambridgeshire Pension Fund may have in the region of 80 members that have been overpaid as a result of the non or misapplication of GMP. It has been estimated that these overpayments equate to approximately £45,000 since the errors began to the end of 2018.
- 2.4 The remaining changes to the policy that the Pension Fund Committee are asked to approve are:
- That there is no stipulated maximum time period within which to recover an overpayment although the preferred time period would be the same duration that the overpayment was made. This recognises that a restricted time period could have significant impact on the member's standard of living and affect the Fund's ability to recover the overpayment at all(Section 13).

- That the Section 151 Officer, in the capacity of Treasurer to the Fund, should have delegated authority from the Pension Fund Committee to write off overpayments greater than £5,000 as opposed to the Director of Finance.

2.5 These proposed changes and which sections of the policy have been amended as a result are detailed in appendix 2 of this report.

3. Next steps

3.1 It is the intention of LGSS Pensions to add to this policy sections on overpayments of retirement lump sums, death grants and transfer values as well as underpayments of pensions to provide assurance that any incorrect payment from the Fund has an established process for correction.

3.2 It is anticipated that these additional components to the policy will be presented at the June 2019 meeting of the Pension Fund Committee.

4. 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.
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Continually monitor and measure clearly articulated objectives through business planning.
Deliver consistent plain English communications to stakeholders.
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.

5. Risk Management

5.1 The Pension Fund Committee has approved previous versions of the Overpayments of Pension Policy, most recently in June 2018 and officers keep the policy under constant review to ensure it remains equitable to scheme members, the scheme itself and the taxpayer.

5.2 The policy will also be reviewed in line with the outcomes of related cases dealt with by the Pensions Ombudsman and as a result of case law to ensure it remains compliant with all prevailing legislation. The Pension Fund Committee will be advised at every regular meeting of any overpayments that have been written off and this information also appears in the Fund's Annual Report and Statement of Accounts.

- 5.3 The risks associated with failing to identify and manage overpayments of pension and acting not in accordance with appropriate legislation 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 16)	Failure to understand and monitor risk and compliance	Green
Governance (risk 17)	Failure by the Fund or employers to meet requirements (including statutory) to ensure members are not disadvantaged.	Green
Administration and Communications (risk 18)	Records are not accurate or do not reflect changes in circumstances.	Green

- 5.4 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/>

6. Finance & Resources Implications

- 6.1 The cost of unrecoverable overpayments of pension will be ultimately met by the respective scheme employers as reflected in their individual funding positions.

7. Communication Implications

Website	The policy, once approved by the Pension Committee, will be made publically available on the LGSS Pensions website
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8. Legal Implications

- 8.1 Reference must be made to the Limitation Act and previous court cases such as Webber v Department of Education when making a claim for the repayment of overpaid pensions.

9. Consultation with Key Advisers

- 9.1 Eversheds Sutherland has provided legal advice on the previous version of this policy.

10. Alternative Options Considered

- 10.1 There are no alternative options to be considered.

11. Appendices

- 11.1 Appendix 1 (Revised) Overpayment of Pension Policy (2019)
 11.2 Appendix 2 Changes between the existing and revised Overpayments of Pension Policy

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	No

the budget and/or policy framework?	
Has this report been cleared by Head of Pensions?	Mark Whitby – 5 March 2019
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 15 March 2019
Has the Chairman of the Pension Committee been consulted?	Councillor Terry Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

Overpayment of Pension Policy

2019

Cambridgeshire Pension Fund

1. Introduction

- 1.1 This is the Overpayment of Pension Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 Overpayments of pension can occur for a variety of reasons. It is important that the Fund has a clear policy on how overpayments of pension are managed once they are identified.
- 1.3 Cambridgeshire Pension Fund recognises the need to take a pro-active approach to identifying potential fraudulent activity and overpayments.

2. Policy objectives

- 2.1 The policy objectives aim to ensure the Fund:
 - Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
 - Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
 - Ensures benefits are paid to, and income collected from, the right people at the right time in the right amount;
 - Identifies errors as soon as possible;
 - Rectifies overpayments with the cooperation of the individual;
 - Encourages individuals to take an active role in checking payslips/payments for obvious errors; and
 - Avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

3. Purpose of the policy

- 3.1 The policy is designed to provide assurance to the Fund's stakeholders that:
 - all overpayments are treated in a fair and equitable manner;
 - the Fund seeks to recover overpayments that have occurred but acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part); and
 - has steps in place to prevent and also investigate potential fraudulent activity.

4. Effective date and reviews

- 4.1 This policy was first approved by the Pension Fund Committee on 22 October 2015 and was effective from 23 October 2015. The policy has since been subject to the following reviews:

Date of review by Pension Committee	Policy effective date:
24 May 2018	25 May 2018
28 March 2019	

- 4.2 This policy will be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

- 5.1 The policy applies to:

- All members and former members, which in this policy includes survivor and pension credit members of the Cambridgeshire Pension Fund who have received one or more payments from that Fund;
- Executors of the Estates of deceased Cambridgeshire Pension Fund members
- Beneficiaries of Cambridgeshire Pension Fund members where those beneficiaries have received one or more payments from that Fund
- Administrators of the scheme; and
- The Pension Fund Committee.

6. Managing overpayments of pension on the death of a scheme member

- 6.1 Understandably, notification of a death of a pensioner member of the scheme does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur.
- 6.2 Should an overpayment of pension occur as a result of the death of a scheme member, the Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 or less in the instance of the death of a scheme member has been deemed by the Fund as uneconomical to pursue. In such circumstances, the Fund's approach will be that the sum written off is treated as a liability against the scheme member's former employer.
- 6.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.
- 6.4 An invoice will be raised by the Fund to recover an overpayment which is greater than £250.00 upon the death of a scheme member.

7. Managing overpayments of children's pensions failing to cease at the appropriate time

- 7.1 An eligible child as defined by the LGPS Regulations 2013, is entitled to receive a pension until such a time as their circumstances change and they are no longer eligible to receive a pension from the Fund.
- 7.2 In these cases the individual in receipt of the pension is responsible for informing LGSS Pensions of a change in circumstances to ensure the pension is ceased at the appropriate time, failure to do so would result in an overpayment.

7.3 Should an overpayment of pension occur as a result of late notification of change of circumstances, the Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 or less has been deemed by the Fund as uneconomical to pursue. In such circumstances, the Fund's approach will be that the sum written off is treated as a liability against the scheme member's former employer.

7.4 An invoice will be raised by the Fund to recover the overpayment which is greater than £250.00 as a result of the late notification of the change in circumstances. The invoice will be sent to the individual whose bank account the child's pension was being paid into.

8. Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement, the Fund will generally seek to recover monies that are greater than £250.00 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 (gross) or less has been deemed by the Fund uneconomical to pursue due to the administrative time involved.

8.2 Overpayments that are greater than £250.00 in value will be recovered through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

8.3 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £250.00 in value.

9. Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably aware of the overpayment.

9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate. The most common reasons are detailed in the table below but it should be noted that this is not an exhaustive list.

	Type of overpayment	How overpayment has occurred
1	Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.

2	Re-employment where abatement affects rate of pension due	Re-employment not notified and within the terms of the Administering Authority policy on the exercise of their discretion relating to abatement, the member's annual pension should have been reduced or suspended due to the level of earnings in the new employment. Identified through NFI exercise or other means.
3	Entitlement to pension ceasing	Non notification that a child's pension is no longer payable as the child aged 18 or above is no longer in full time education or vocational training.
4	Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
5	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long term rate.
6	Failure to action an alteration to the payroll record/reduction in pension	Failing to implement a reduction to a pension as a result of National Insurance Modification (at State Pension Age for those members who both left the LGPS before 1 April 1998 and had membership before 1 April 1980).

- 9.2 If the scheme member has been notified of the correct rate of pension in writing and is receiving a higher amount, it can be said that the member can reasonably be aware that they are being over paid as the scheme member has been notified of the correct rate in writing.
- 9.3 The Fund will therefore generally seek to recover monies that are greater than £250.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.
- 9.4 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period and will be notified in writing of the error and the course of action to be taken.
- 9.5 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £250.00 in value.
- 10. Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment**
- 10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware. It should be noted that the table below is not an exhaustive list;

	Type of overpayment	How overpayment has occurred
1	Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions)	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
2	Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

10.2 In these circumstances the Fund will generally seek to recover monies that are greater than £250.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £250.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

10.3 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

10.4 Where there is no ongoing pension from which to deduct the overpaid amount, an invoice will be arranged by the Fund to recover the overpayment which is greater than £250.00 in value.

11. Overpayments resulting from an error with Guaranteed Minimum Pension (GMP)

11.1 Overpayments can also occur as a result of the incorrect or non-application of the GMP element of a member's pension as detailed in the table below.

1	GMP not included in the pension being paid	New information from HMRC or a review of the member's record shows that a GMP should have been included within the pension but has not. Due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
2	Incorrect level of GMP being paid	New information from HMRC or a review of the member's record leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	GMP not accurately split between pre 88 and post 88	New information from HMRC or a review of the member's record shows that a GMP has not been apportioned correctly. Due to the different way cost of living increases are applied to pre 88 GMP and post 88 GMP, means that, overall, a lower level of pensions increase should have been paid.

- 11.2 The application of GMP to a member's pension requires a high degree of technical understanding that can only reasonably be expected of a pensions practitioner. As such, and where there has been no explicit communication to the member that would mean that they could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP, the overpayment of any value should be written off without the requirement for authorisation as detailed in 17.1. .
- 11.3 The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

12. Discretion to write off overpayments

- 12.1 For all scenarios mentioned above, Officers have the ability to exercise discretion in the event of legal reasons and/or exceptional circumstances and to ensure no individual is unfairly treated. If the pursuing recovery of an overpayment was to cause significant distress and/or if there are legal reasons as to why the overpayment may not be recovered (in whole or in part) this would be taken into account as would the cost effectiveness of recovery. All applications made to write off of an overpayment will be investigated on a case by case basis and final decision will be made by the appropriate officer listed in section 17 dependent upon the amount potentially being written off.
- 12.2 The Cambridgeshire Pension Fund has authority automatically write off any amount up to £250.00 in line with HM Revenue and Customs authorised payments limits and analysis of the cost effectiveness of pursuing amounts up to this value.

13. Recovery

- 13.1 The Limitation Act 1980 states that "*An action founded on simple contract shall not be brought after the expiration of six years from the date on which the cause of action accrued*". However, section 32(1) of the Act effectively 'postpones' the date by which an administering authority may make a claim to recover monies in certain circumstances. It states "*the period of limitation shall not begin to run until the plaintiff has discovered the fraud, concealment or mistake (as the case may be) or could with reasonable diligence have discovered it*". The potential effect of section 32(1) in relation to any overpayment and its recovery will be considered on a case-by-case basis.
- 13.2 Therefore the Fund will generally seek to recover overpayments that have been discovered within the last 6 years with the relevant postponement applied if applicable in line with the Limitation Act unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).
- 13.3 Examples of limitation periods and how they operate in relation to overpayments are included in appendix 1 of this policy.
- 13.4 It should be borne in mind that where the Fund seeks to recover overpayments, there may be arguments raised as to why the overpayment should not be recovered (in whole or in

part). These will need to be considered on a case-by-case basis and, if successful, may affect the ability of the Fund to recover the overpayment (in whole or in part).

14. Length of time to recover overpayment

- 14.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made for a 3 month period, the recovery period to repay the overpayment will be 3 months. In the event that reasonable arguments are advanced that the recovery period should be extended, the Fund can at its discretion allow an extension based on the individual's circumstances.

15. Claims of inability to repay overpayments

- 15.1 In cases where it is claimed that an overpayment cannot be repaid officers of the Fund will enter into negotiations with the scheme member/next of kin and an analysis of the cost effectiveness of pursuing the overpayment will be undertaken on a case-by-case basis. For large overpayments, where appropriate the Fund will seek legal advice. This approach will reduce the number of Internal Dispute Resolution Procedures applications and referrals to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Cambridgeshire Pension Fund would have demonstrated engagement and negotiation with the complainant.

16. Monitoring repayments

- 16.1 In cases where recovery is not being made through the payroll and an invoice has been raised, the responsibility for chasing the payment rests with the LGSS Debt Recovery Team. If a final reminder is issued, officers are notified and a decision is made by the Head of Pensions as to whether to take legal action, taking into consideration the amount and circumstances against the potential of legal action.

17. Authority to write off overpayments

- 17.1 In line with the County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments:

Total value of overpayment*	Authority to write off overpayment
No more than £250.00 (gross) on death of a pensioner and any other overpayment type	Officers
Up to no more than £5,000 (gross)	Head of Pensions (in the absence of the Head of Pensions authority will move to the Cambridgeshire County Council Section 151 Officer)
Up to no more than £24,999.99 (gross)	Cambridgeshire County Council Section 151 Officer
£25,000+ (gross)	Cambridgeshire Pension Fund Pension Fund Committee
*Subject to a full evidence based report produced by Officers of the Fund	

18. Reporting to the HM Revenue and Customs and effects on the Fund and individual

- 18.1 Administering authorities are obliged to correct any error they discover within a reasonable period of time. To do otherwise would render payments unauthorised under Section 14 of the Registered Pension Scheme (Authorised Payments) Regulations 2009. The HM Revenue and Customs have a clear steer with regards to timing, in so much that “*When a scheme discovers an overpayment it immediately becomes unauthorised and is subject to an unauthorised tax charge*”.
-
- 18.2 Regulation 13 says that a payment made in error will be an authorised payment if the:
- Payment was genuinely intended to represent the pension payable to the person;
 - Administering authority believed the recipient was entitled to the payment and;
 - Administering authority believed the recipient was entitled to the amount of pension that was paid in error.
- 18.3 In addition to the above, there is a further exemption where the overpayment is a ‘genuine error’ and the aggregate overpayment (paid after 5th April 2006) is less than £250. In such circumstances, if the overpayment is not recovered it remains an unauthorised payment but it does not have to be reported to HM Revenue and Customs and HM Revenue and Customs will not seek to collect tax charges on it.
- 18.4 Examples of HM Revenue and Customs ‘genuine errors’ are in appendix 2 of this policy.
- 18.5 The Finance Act 2004 also sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in up to three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.
- 18.6 Payments made in the period between notifying the member of an overpayment and the point at which the correction to the right level of pension is made will be regarded under the above legislation as an unauthorised payment. If the total amount of pension paid at the incorrect rate from point of notification to date of reduction to the correct rate is greater than £250 (gross) it would be subject to tax charges 1) and 3) and possibly 2 as set out in section 18.5.

19. Prevention

- 19.1 The Fund has in place processes in order to minimise the risk of overpayments occurring.
- 19.2 The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Cambridgeshire Pension Fund actively participates in this initiative.
- 19.3 Cambridgeshire Pension Fund participates in overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity.

- 19.4 A report is run periodically on the pension administration system to identify individuals in receipt of a child's pension, further investigations are then carried out for children that are identified as over the age of 18 to ensure they are still entitled to receive a pension.
- 19.5 Cambridgeshire Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member. The Fund also investigates any returned pensioner payslips and pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of the Fund's money.
- 19.6 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short term dependant's pension to a long term pension.

Appendix 1 – Limitation Period Examples

Scenario	Limitation Period	Overpayment Period which can be claimed*
<ul style="list-style-type: none"> • Overpayments began in April 2008 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2010 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2008 and August 2010 • Formal claim** for recovery made in January 2015 (the Cut Off Date as referred to in <i>Webber v Department for Education</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in April 2008 until August 2010 may be claimed
<ul style="list-style-type: none"> • Overpayments began in April 2003 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in November 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made from April 2003 to November 2009 • Formal claim for recovery made in December 2011 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in April 2003 until November 2009 may be claimed
<ul style="list-style-type: none"> • Overpayments began in January 1999 (the first Mistake Date) • Overpayments discovered or could have been discovered with reasonable due diligence in September 2016 (when the date was received from HM Treasury in relation to the GMP equalisation exercise) (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for the period from January 1999 to September 2016 • Formal claim for recovery made in February 2017 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6 year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in January 1999 until September 2016 may be claimed

Scenario	Limitation Period	Overpayment Period which can be claimed*
<ul style="list-style-type: none"> • Overpayments began in April 2006 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2006 and August 2009 • Formal claim for recovery made in January 2017 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date • Claims are therefore out of time and should not proceed 	<ul style="list-style-type: none"> • Overpayments cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date
<ul style="list-style-type: none"> • Overpayments began in April 2006 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2009 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2006 and August 2016 • Formal claim for recovery made in January 2017 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date • Claims for overpayments between April 2006 and January 2011 are therefore out of time and should not proceed • However, as each monthly overpayment is a separate overpayment, the effect of the <i>Webber</i> case is that overpayments made in the 6 years prior to the Cut Off Date (i.e. the overpayments made in February 2011 to August 2016) can be recovered 	<ul style="list-style-type: none"> • Overpayments for the period April 2006 to January 2011 cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date • Overpayments for the period February 2011 to August 2016 may be reclaimed.

* while this refers to the period which can be claimed, this is not the same as the period which will definitely be recovered in light of the other defences which are available to scheme members who face such claims for repayments of overpayment.

** reference to formal claim in this appendix means the commencement of formal proceedings to recover the overpayment.

Appendix 2 - Examples of HM Revenue and Customs 'genuine errors'

Genuine error - example 1

Apart from the case of pensions continuing under a 'term certain' guarantee, pensions are supposed to stop accruing on the death of the pensioner. If payments that accrued inappropriately after the death continue to be made, they will be unauthorised unless they fall within the limited conditions of regulation 15 of The Registered Pension Schemes (Authorised Payments) Regulations. The main feature of those conditions is that instalments can be paid within 6 months of the member's death providing the payer was reasonably unaware the pensioner had died.

Clearly then, once the 6 month time limit has passed, the tax rules will regard any future instalments as unauthorised member payments, and the fact the payer might remain unaware of the member's death does not change the essential character of any payment made. When the death comes to light the payer can see that the payments made more than 6 months after death were made in error.

Genuine error - example 2

The tax rules normally require that a pension being paid to a dependent who is child of a deceased member must stop when the recipient reaches age 23. If the recipient does not qualify for any of the exceptions that would allow for the continuation of their pension after that time, for example because of a disability, then the payer must make adequate arrangements to stop the pension in time. To this end they may give a clear and timely warning to the bank to stop payments from the necessary date but it can happen that the bank fails to act on those instructions and payments continue to be made in error.

In both of these examples, if the error was spotted and rectified (pension overpayments were repaid) as soon as reasonably possible, the inadvertent pension instalments (in the case of Example 1, only in respect of the instalments paid after the 6 month limit where the conditions otherwise apply) would not be unauthorised member payments.

However, there would be an unauthorised member payment if, despite the error being spotted, it is decided the repayment of the inadvertently overpaid pension instalments will not be pursued or the scheme does attempt recovery (in the case of Example 1, only in respect of the instalments paid after the 6 month limit where the conditions otherwise apply) but is unsuccessful and eventually decides to write off the overpayment (even though the decision might be taken on administration costs grounds or out of sensitivity). The exception to this will be if - as may often be the case - one of the categories of authorised payments introduced by the Registered Pension Schemes (Authorised Payments) Regulations 2009 can then be looked to in relation to payments made in genuine error but left in place.

The date of the unauthorised payment for the purpose of having to make a report of that payment would be the date that the decision is made not to seek recovery of the overpayment or the date the decision is taken to no longer seek recovery of the overpayment, as the case may be. Where the overpayment is not pursued or, otherwise, not successfully pursued and the total of such overpaid pension instalments paid after 5 April 2006 (overpaid instalments paid before 6 April 2006 do not count for this purpose) to, or in respect of, a particular member does not exceed £250:

- for its own reasons of cost administration, under its Collection and Management powers, HM Revenue & Customs will not seek to collect the tax that, in strictness, is due in respect of the unauthorised payment (although the payment remains an unauthorised payment), and
- the scheme administrator does not have to report the unauthorised payment to HM Revenue & Customs, and
- the unauthorised payment does not have to be returned on the recipient's Self-Assessment tax return or, otherwise, be notified to HM Revenue & Customs.

If the aggregate overpayment exceeds £250, then all of the overpayment is chargeable as an unauthorised payment (i.e. one cannot deduct £250 as if it were an allowance, which it is not).

For this purpose, the £250 threshold applies to the aggregate of the overpayments actually received by, or in respect of, the member.

Where the conditions would otherwise apply in respect of pension instalments paid later than 6 months after the death of a pensioner except that the pension instalments have been paid later than 6 months after the pensioner's death, the £250 threshold applies in respect of the aggregate of the pension instalments paid after the expiry of the 6 month time limit only. The pension instalments paid up to the 6 month time limit would not be.

Overpayment of lump sums

The conditions described above apply equally where an overpayment of a lump sum occurs, such as a pension commencement lump sum or serious ill-health lump sum. So the limit of £250 will apply, but any lump sum in excess of that amount, where recovery cannot be made, will be an unauthorised payment to the extent that the amount is not an authorised payment.

For example, a pension commencement lump sum of £100,000 is due to be paid under the scheme rules, but £105,000 is paid in error. The scheme administrator is unable to affect a recovery of the excess. Under the tax rules, the pension commencement lump sum of £100,000 is the

permitted maximum, so the whole excess of £5,000 is an unauthorised payment (i.e. one cannot deduct £250 as if it were an allowance, which it is not).

Note that a payment of a lump that is intended to be a pension commencement lump sum but ends up exceeding the permitted maximum may still be an authorised member payment if certain conditions are met.

Example

A pension commencement lump sum must be paid within an 18 month period starting 6 months before and ending 12 months after the member becomes entitled to the lump sum and linked pension. However, due to an error within the administration department of the pension scheme, the lump sum payment is not made by that deadline. If the lump sum is paid after the deadline it will not be a pension commencement lump sum and (unless it falls within the definition of one of the other authorised lump sums) will be an unauthorised member payment.

Appendix 2 – Changes between the existing and revised Overpayments of Pension Policy

Section of policy	Section in previous policy	Section in revised policy	Change
Managing overpayments of children's pensions failing to cease at the appropriate time	7	7	The Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value. Previously the value was £100.00 (gross).
Managing overpayments of pension following incorrect information supplied by the employer in respect of the scheme member	8	8	The Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value. Previously the value was £100.00 (gross).
Managing overpayments of pension as a result of the incorrect rate of pension paid by the Fund and the member can be said to be reasonably aware of the overpayment	9	9	The Fund will generally seek to recover overpayments that are greater than £250.00 (gross) in value. Previously the value was £100.00 (gross).
Managing overpayments of pension following an incorrect rate of pension being paid by the Fund and it can be said that the member cannot have known of the overpayment	10	10	Removal of second line of table – now included in section 11.
Overpayments resulting from an error with Guaranteed Minimum Pension (GMP)	New section /10	11	New section to cover where overpayments have occurred due to errors associated with the application of GMP.
Discretion to write off overpayments	11	12	Re-written to accommodate the increase in officers authority to write off overpayments up to £250.00 (gross).
Length of time to recover overpayment	12	13	Removed reference to the extension of time to repay overpayment of 50% to read as an unlimited time period.
Authority to write off overpayments	16	17	Director of Finance changed to Section 151 Officer.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund - Risk Strategy and Risk Register Review
Purpose of the Report	To present the Risk Strategy and Risk Register to the Pension Fund Committee.
Recommendations	<ul style="list-style-type: none">a) The Committee are asked to approve the revised Risk Strategy and Risk Register.b)c) To 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
Enquiries to:	Michelle Oakensen, Governance Officer, moakensen@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that there is an appropriate Risk Strategy and Risk Register in place in order to effectively manage the risks facing the Fund. The risk strategy sets out the principles of risk management and how the risks are profiled and the risk register records the details of all risks that have been identified along with their analysis and plans for how those risks will be treated.
- 1.2 The Risk Strategy and Risk Register can be viewed by the Pension Committee and Local Pension Board members as well as officers of the Fund as management tools for monitoring the risk management processes of the Fund. The Risk Register is used to identify, assess, and manage risks to acceptable levels through a review and updating process.
- 1.3 The current Risk Strategy was approved in March 2016 and the current Risk Register was approved on 21st October 2016. It was deemed appropriate to review both documents to ensure risks and approach to risks remain relevant and manageable.

2. Changes to the Cambridgeshire Pension Fund Risk Strategy

- 2.1 The reviewed Risk Strategy can be found in Appendix A of this report, the principles and philosophy of the Strategy remain the same although the Strategy has been strengthened to support the risk analysis section.
- 2.2 The impact and likelihood assessments now include more detailed explanations of how the risk analysis should be undertaken. Detailed descriptions of impact ratings (Catastrophic, Major, Moderate, Minor and Insignificant) and percentage/timescales support the decision making process when determining the likelihood of a risk happening.

3. Changes to the Cambridgeshire Pension Fund Risk Register

- 3.1 The revised risk register can be found in Appendix B of this report, the main changes to the register are as follows –
- Reduction of risks from 54 to 25 – more concise and high level with the detail encompassed in the controls to allow for easier monitoring;
 - Not split into service areas as previous version (Governance, Funding and Investments and Administration and Communication) each risk has a responsible lead to demonstrate accountability;
 - Risks are ordered in priority to allow for focus and easier monitoring;
 - Revised criteria for assessing the impact and likelihood of a risk occurring, increasing detail to make a more accurate assessment; and
 - A summary sheet has been designed to allow for an overview of the risks which shows priority, risk rating with Red Amber Green (RAG) status, responsible lead and associated objectives.

4. Local Pension Board recommendations

- 4.1 The Strategy and the Register were presented to the Local Pension Board on 15 February 2019 and the following recommendation was made concerning the risk register:
- To add letters to the responsible lead and key columns to ensure members that could not differentiate between colours could identify the areas.

5. Next Steps

- 5.1 The Local Pension Board will be provided with a monitoring report on a quarterly basis and subsequently the Pension Committee will receive updates bi-annually which will include any comments from the Local Pension Board. Any urgent need to review the Risk Register will be raised with the Chairman and Vice Chairman of the Committee before this time.
- 5.2 The Pension Fund Committee and Pension Fund Board will have oversight of the whole register but the focus for the Pension Fund Committee will be on any red and amber risks.

- 5.3 All reports presented to the Pension Fund Committee and Pension Fund Board will reference the appropriate risk and mitigation detailed in the risk register under the 'Risk Management' section.

6. 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>
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>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

7. Finance & Resources Implications

7.1 There are no financial and resource implications.

8. Risk Management

8.1 The Pension Fund Committee and Pension Board are required to ensure the Fund is managed in an effective and appropriate manner giving the highest regard to the risks and potential risks that could affect the stakeholders of the Fund.

8.2 The risks associated with the Pension Fund Committee and Pension Board not having a risk register in place and regularly reviewing the risks associated with the Fund have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Governance (risk 14)	Pension Fund objectives are not defined and agreed	Green
Governance (risk 15)	Failure to understand and monitor risk and compliance	Green
Governance (risk 18)	Failure to provide adequate information to the Pension Committee/Pension Board.	Green

8.3 The full risk register can be found on the LGSS Pensions website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/keydocuments/cambridgeshire>

9. Communication Implications

Direct Communications	The Fund will keep the Pension Fund Committee and the Local Pensions Board updated with changes to the risks.
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10. Legal Implications

10.1 Not applicable

11. Consultation with Key Advisers

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

12. Alternative Options Considered

12.1 Not applicable

13. Background Papers

13.1 Risk Strategy 2016 –
<https://pensions.northamptonshire.gov.uk/app/uploads/2016/04/Risk-Strategy.pdf>

13.2 Risk Register 2016 –
<https://pensions.northamptonshire.gov.uk/app/uploads/2012/11/Risk-Register---Governance.pdf>

14. Appendices

14.1 Appendix A – Risk Strategy 2019

14.2 Appendix B – Risk Register 2019

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 12 March 2019

Cambridgeshire Pension Fund Risk Strategy 2019

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1. Introduction

- 1.1 This is the Risk Strategy of the Cambridgeshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Cambridgeshire County Council ("the Administering Authority"). The Risk Strategy details the Fund's approach to managing risk including:
- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
 - how risk management is implemented
 - risk management responsibilities
 - the procedures that are adopted in the Fund's risk management process
 - the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

2. Strategy objectives

- 2.1 In relation to understanding and monitoring risk, the Administering Authority aims to:
- integrate risk management into the culture and day-to-day activities of the Fund
 - raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
 - anticipate and respond positively to change
 - minimise the probability of negative outcomes for the Fund and its stakeholders
 - establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
 - ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.
- 2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:
- the CIPFA Managing Risk publication and
 - the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

3. Purpose of the strategy

- 3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:
- demonstrate best practice in governance
 - improve financial management

- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

4. Effective date

4.1 This policy was first approved by the Pension Fund Committee on 24 March 2016 and the review approved on XX.

5. Review

5.1 The Policy will be formally reviewed and updated at least every three years or earlier if the risk management arrangements or other matters included within it merit reconsideration.

6. Scope

6.1 This Risk Strategy applies to all members of the Pension Fund Committee, the Investment Sub-Committee and the Pension Fund Board, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer) and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required, in meeting the objectives of this Policy.

7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided

- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

8.2 The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

"249B Requirement for internal controls: public service pension schemes

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

- 8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

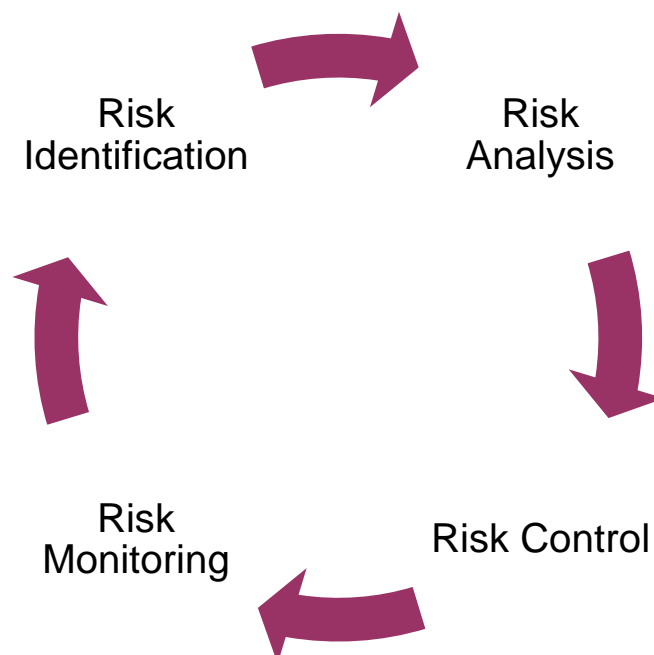
9. Responsibility

- 9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Fund Committee and Pension Fund Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

10. The Cambridgeshire Pension Fund Risk Management Process

- 10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



10.2 Risk identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Pension Fund Committee and Pension Fund Board
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

10.3 Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Potential impact if risk occurred	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)	5 Almost certain (80%)
Likelihood and percentage of risk occurring						

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

The criteria for impact and likelihood are detailed in **Appendix 1**.

10.4 Risk control

The Governance and Regulations Manager will review the extent to which the identified risks are covered by existing internal controls and determine whether any

further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

10.5 Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee.

The Pension Fund Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Fund Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy

on an annual basis taking into consideration any feedback from the Pension Fund Board.

12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Fund Committee will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or Pension Fund Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

13. Costs

13.1 All costs related to this Risk Strategy are met directly by the Fund.

14. Further information

14.1 For further information about anything in or related to this Risk Strategy, please contact:

Jo Walton
Governance and Regulations Manager
LGSS Pensions Service
E-mail: jwalton@northamptonshire.gov.uk

14.2 Further information on the Cambridgeshire Pension Fund can be found on the LGSS Pensions Service website;
<http://pensions.cambridgeshire.gov.uk>

Appendix 1 – Criteria for assessing impact and likelihood

Impact

Description	Risk Appetite	Example
Catastrophic (5)	<ul style="list-style-type: none"> Unacceptable level of risk exposure which requires immediate action to be taken. >£10m. Section 151 or government intervention or criminal charges. Critical long term disruption to service delivery. Significant and sustained local opposition to policies and/or sustained negative media reporting in national media. 	Data breach containing the personal information of more than 80% of the Fund where no mitigations were put in place to minimise impact.
Major (4)	<ul style="list-style-type: none"> Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure. <£10m. Major civil litigation setting precedent and/or national public enquiry. Major disruption to service delivery. Sustained negative coverage in local media or negative reporting in the national media. 	Data breach containing the personal information of more than 50% of the Fund where no mitigations were put in place to minimise impact.
Moderate (3)	<ul style="list-style-type: none"> Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly. <£5m. Major civil litigation and/or local public enquiry. Moderate direct effect on service delivery. Significant negative front page reports/editorial comment in the local media. 	Data breach containing the personal information of more than 20% of the Fund where some mitigations were put in place to minimise impact.

Minor (2)	<ul style="list-style-type: none"> • Acceptable level of risk subject to regular passive monitoring measures, at least half yearly. • <£1m. • Minor regulatory enforcement. • Minor disruption to service delivery. • Minimal negative local media reporting. 	Data breach containing the personal information of more than 5% of the Fund and some mitigations were put in place to minimise impact.
Insignificant (1)	<ul style="list-style-type: none"> • Acceptable level of risk subject to periodic passive monitoring measures, at least annually. • <£0.5m. • Minor civil litigation or regulatory criticism. • Insignificant disruption to service delivery. • No reputational impact. 	Data breach containing the personal information of up to 5% of the Fund and all mitigations were in place to minimise impact.

Likelihood

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

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk	Risk	Relevant objectives	Responsible Lead(s)*	Risk Rating
1	Employers unable to pay increased contribution rates.	9	E	12
2	Failure to respond to changes in economic conditions.	15,16	A	12
3	Contributions to the Fund are not received on the correct date and/or for the correct amount	1,8,9,16	A	8
4	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	A	8
5	Information may not be provided to stakeholders as required.	14	ALL	6
6	Inappropriate investment strategy is adopted.	16, 17,18	A	6
7	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	G	6
8	Risk of fraud and error.	2,10	ALL	6
9	Failure to understand and monitor risk compliance.	5	G	6
10	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	E	6
11	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	A	4
12	Pension Fund systems and data may not be secure and appropriately maintained.	10,11	E	4
13	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	ALL	4
14	Failure to recognise and manage conflicts of interest.	2,10	G	4
15	Pension Fund objectives are not defined and agreed.	4	G	4
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	15	G	4
17	Pension Fund investments may not be accurately valued.	2,10,17,18	A	4
18	Actual experience materially differs from actuarial assumptions used at each valuation	9, 17,18	E	4
19	Failure to act appropriately upon expert advice and/or risk of poor advice.	17,18,19,20	ALL	4
20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	9,17,18	E	4
21	Unable to deliver pension services due to an inadequate business continuity plan.	8	ALL	4
22	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	ALL	4
23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1,2,3,19	A	3
24	Adequate controls are not in place for the production of accounts, notices, publications and management reports.	1,2,10	ALL	3
25	A Data Improvement Policy and Plan are not in place and not adhered to.	2,8,10,11	G	3

Appendix B – Cambridgeshire Pension Fund Risk Register

*Key

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

Overall responsibility rests with the Head of Pensions

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
1	Employers unable to pay increased contribution rates.	4	4	16	R	<ul style="list-style-type: none"> Provisional contribution rates are consulted on with each scheme employer as part of the valuation process Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible. 	4	3	12	A
2	Failure to respond to changes in economic conditions	4	4	16	R	<ul style="list-style-type: none"> The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters. The Fund receives quarterly performance reports which consider operational and strategic investment issues. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund publishes an Investment Strategy Statement which is regularly reviewed. 	4	3	12	A
3.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	3	12	A	<ul style="list-style-type: none"> Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions. A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy. The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator Internal Audit reviews take place on an annual basis and external audit review the accounts annually. 	4	2	8	A
4	Fund assets are not sufficient to meet obligations and liabilities	4	3	12	A	<ul style="list-style-type: none"> The Funding Strategy Statement is reviewed every 3 years. The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates. The yearend financial statements record the Funds asset position and is subject to robustly reviewed by external audit, which supports the Funds asset valuation applied to assess fund adequacy. 	4	2	8	A

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
5	Information may not be provided to stakeholders as required	3	3	9	A	<ul style="list-style-type: none"> Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups. Letters are generated through task management for consistency and are checked before being sent out. 	3	2	6	G
6	Inappropriate investment Strategy is adopted	3	3	9	A	<ul style="list-style-type: none"> Investment Strategy in place which is in accordance with LGPS investment regulations. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund appoints professional investment advisers to support the Pension Committees investment decisions At each triennial actuarial valuation the Funding Strategy Statement considers alignment of the investment strategy to employer covenant and affordability. Members are encouraged to participate in Skills & Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained. 	3	2	6	G
7.	Those charged with governance are unable to fulfil their responsibilities effectively	3	3	9	A	<ul style="list-style-type: none"> Training Strategy in place to facilitate the continual development of both Committee and Board members. New members are provided with relevant documentation to assist them in their roles. The Fund subscribes to relevant professional bodies such as LAPFF and PALSA. 	3	2	6	G
8.	Risk of fraud and error	3	3	12	A	<ul style="list-style-type: none"> Anti- Fraud and Corruption policy in place. Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks. Robust processes in place including segregation of duties and authorisation protocols. 	3	2	6	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
9	Failure to understand and monitor risk compliance	3	2	6	G	<ul style="list-style-type: none"> Business Continuity plan in place and is updated at least annually. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales. The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making. 	3	2	6	G
10	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	<ul style="list-style-type: none"> Employers are made aware of their responsibilities upon admission via the LGSS website and direct employer communication. Training is provided to employers on a minimum quarterly basis and more often, if required. The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums. Support is also available through the website, dedicated employers help line and templates issued where applicable. 	2	3	6	G
11	Custody arrangements may not be sufficient to safeguard Pension Fund assets	4	2	8	A	<ul style="list-style-type: none"> The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework. Complete and authorised agreements are in place with external custodian. External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee. 	4	1	4	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
12	Pension Fund systems and data may not be secure and appropriately maintained	4	2	8	A	<ul style="list-style-type: none"> System user controls are in place including regular password changes. Access rights are controlled. Data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is updated to ensure LGPS requirements are met. Hosted pensions server and backup server are at separate Bedfordshire sites. Disaster recovery plans are in place for both Heywood and LGSS. Training to Officers on cyber resilience 	4	1	4	G
13	Failure to administer the scheme in line with regulations and guidance	5	2	10	A	<ul style="list-style-type: none"> Policies and strategies are in place and are accessible on the Fund website. Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary. A Training Strategy is in place for those charged with governance. Officers attend working groups (such as EMPOG/SEC SOG) and consult with professional advisors where appropriate. Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when. The Fund subscribes to relevant professional bodies such as LAPFF and PALSA. 	4	1	4	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
14	Failure to recognise and manage conflicts of interest	4	2	8	A	<ul style="list-style-type: none"> Declaration of interests are made at the beginning of all statutory meetings where not held on the County Councillor declaration register. Conflicts of Interest Policy in place for the Local Pension Board. Committee and Board members are encouraged to undertake the Pension Regulators Toolkit which includes a conflicts of interest module. 	2	2	4	G
15	Pension Fund objectives are not defined and agreed	4	2	8	A	<ul style="list-style-type: none"> Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. Relevant objectives are referenced on every committee report. Objectives are referenced in all policy documents and the risk register to ensure appropriate focus. 	2	2	4	G
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making. Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered. 	2	2	4	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
17	Pension Fund Investments may not be accurately valued	3	2	6	G	<ul style="list-style-type: none"> The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements. The year-end financial statements record the Funds asset position and is subject to robust review by external audit. Officers work closely with the Funds Custodian to ensure accuracy of asset valuations. 	2	2	4	G
18	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate. Early engagement with employers. The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment. Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee. 	2	2	4	G
19	Failure to act appropriately upon expert advice and/or risk of poor advice	4	2	8	A	<ul style="list-style-type: none"> Pension Committee decisions and oversight by the Local Pension Board. Investment consultants and independent advisors appointed via a robust appointment process. Members are encouraged to participate in Skills & Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained. 	2	2	4	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	3	3	9	A	<ul style="list-style-type: none"> Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy. Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis. 	2	2	4	G
21	Unable to deliver pension services due to an inadequate business continuity plan	3	2	6	G	<ul style="list-style-type: none"> Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service. Multi skilling across the service for flexibility. Updated at least annually to ensure remains relevant and up to date. Part of the LGSS business continuity plan. 	2	2	4	G
22	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	2	6	G	<ul style="list-style-type: none"> Establishment reporting undertaken monthly to identify any recruitment/retention issues Recruitment undertaken utilising all available avenues including agency staff Staff leaving interviewed to understand reason for cessation Regular performance reporting across all business processes serves as early warning system Consultancy contracts in place as a backstop 	2	2	4	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided	3	2	6	G	<ul style="list-style-type: none"> The Fund is compliant with Investment regulations and best practice guidance. The Fund appoints professional investment advisers to support the Pension Committees investment decisions The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation. Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues. The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues. 	3	1	3	G
24	Adequate controls are not in place for the production of accounts, notices, publications and management reports.	3	2	6	G	<ul style="list-style-type: none"> Automated extraction of data where viable and agreed procedures for reporting. Robust authorisation protocols in place. Internal and External audit reviews. Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process. Membership year end reconciliation and investigate variations from the accounting valuations. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Data Improvement Policy and Plan are in place. Anti-Fraud and Corruption Policy in place. 	3	1	3	G

Appendix B – Cambridgeshire Pension Fund Risk Register

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
25	A Data Improvement Policy and Plan are not in place and not adhered to.	3	3	9	A	<ul style="list-style-type: none"> The Data Improvement Policy and Plan are in place. The Data Improvement Policy and Plan are reviewed at least annually and material amendments approved by the Pensions Committee. The Local Pension Board have oversight of policy reviews. The Pension Committee and Local Pension Board receive updates against the plan quarterly. 	3	1	3	G

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 28 March 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 five admitted bodies to the Cambridgeshire Pension Fund. 2. To report the admission of one scheduled body to the Cambridgeshire Pension Fund. 3. To notify the Committee of four 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: <ul style="list-style-type: none"> • 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. Notes the admission of the following scheduled body to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Cambridgeshire and Peterborough Combined Authority 3. Notes the exit of the following bodies from the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Whittlesey Internal Drainage Board • Lunchtime Company Ltd (Abbey Meadows Primary School) • NECS (UK) (Caldecote Primary School)
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) of Part 3 of Schedule 2 is an admission body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain, and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise).
- 2.3 The Pension Fund Committee is asked to approve the admission of the following bodies into the Cambridgeshire Pension Fund under paragraph 1(d). (see table overleaf)

Date	New Admission Body	Background information
01/10/2018	Advanced Cleaning Services Limited	Kettlefields Primary School, a Cambridgeshire Local Education Authority (LEA) school, has entered into a contract with Advanced Cleaning Services Limited. 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.
27/10/2018	Aspens Services Limited	The Harbour School, a Cambridgeshire LEA school, has entered into a contract with Aspens Services Limited to provide its catering services. 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.
01/09/2018	Aspens Services Limited	Brampton Village Primary School, a Cambridgeshire LEA school, has entered into a contract with Aspens Services Limited to provide its catering services. 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.
Date	New Admission Body	Background information
01/06/2018	Caterlink Limited	The Morris Education Trust, has entered into a contract with Caterlink Limited to provide catering services for Witchford Village College. As a result of the contract, a group of staff were transferred to the new admission body. The Morris Education Trust has agreed to retain the pension risk under a Pass Through agreement.
03/12/2018	Romsey Mill Trust	Cambridge City Council, has entered into a contract with the Romsey Mill Trust to manage the Ross Street Community Centre. As a result of the contract, one member of staff was transferred to the new admission body. Cambridge City Council has agreed to retain the pension risk under a Pass Through agreement.

04/09/2018	Edwards & Blake Limited	Coates Primary School, a Peterborough LEA school, has entered into a contract with Edwards & Blake Limited to provide its catering services. 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.
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3. New Scheduled Body

- 3.1 Regulation 1 (24) 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 combined authority established by an order under section 103(1) of the Local Democracy, Economic Development and Construction Act 2009".
- 3.2 On 3 March 2017 a motion was passed for the creation of a combined authority, Cambridgeshire and Peterborough Combined Authority. Staff were originally seconded to the Combined Authority, and in turn employed from mid-2018.
- 3.3 Actuarial advice has been sought on appropriate employer contribution rates from the fund actuary and these will be advised to the Combined Authority.

4. Cessations

4.1 Whittlesey Internal Drainage Board

- 4.1.1 Whittlesey Internal Drainage Board is a Designating body which passed a resolution to join the Cambridgeshire Pension Fund on 25 June 1998. The last active member left the scheme on 29 December 2017 triggering a cessation event.
- 4.1.2 Under regulation 64(2A) of the LGPS Regulations the Fund can choose to suspend the cessation of an employer, if it is of the reasonable opinion that there will be new active members within a period of up to 3 years:
- (2A) An administering authority may by written notice ("a suspension notice") to an exiting employer suspend that employer's liability to pay an exit payment for a period of up to 3 years starting from the date when that employer would otherwise become an exiting employer, if the condition in paragraph (2B) is met.*
- (2B) The condition mentioned in paragraph (2A) is that in the reasonable opinion of the administering authority the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice.*

4.1.3 As the cessation was the result of the last active member leaving their employment the cessation was suspended to allow them the opportunity to recruit a new employee and enrol them into the LGPS.

4.1.4 Following the end of the review period, the employer indicated that alternative arrangements were being put in place and recruitment of a new employee was not expected imminently. The suspension was therefore lifted and the cessation backdated to the members date of leaving employment. The Fund Actuary has been engaged to calculate the final funding position.

4.2 Lunchtime Company Limited

4.2.1 Lunchtime Company Limited were admitted to the Fund under a pass through agreement on 9 January 2016, after entering a contract to provide catering services to Abbey Meadows Primary school.

4.2.2 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 the Cambridgeshire County Council pool.

4.3 NECS (UK)

4.3.1 NECS (UK) were admitted to the Fund under a pass through agreement on 7 January 2018, after entering a contract to provide cleaning services to Caldecott Primary school.

4.3.2 On 7 July 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.

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>

7. Risk Management

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

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

Risk register	Risk mitigated	Residual risk
Administration and Communication (risk 38)	An employer who ceases to exist with insufficient funding, and no bond or guarantee requiring the funding shortfall to be spread across all other employers in the Fund.	Green
Administration and Communication (risk 39)	Lack of understanding of employer responsibilities, which could result in a statutory deadline being missed.	Green
Administration and Communication (risk 40)	Failure to apply and demonstrate fairness in the treatment of different Fund employers by reference to their own circumstances and covenant.	Green
Administration and Communication (risk 41)	Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachievable targets.	Amber

7.3 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/>

8. 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.

9. Legal Implications

- 9.1 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.

10. Consultation with Key Advisers

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

11. Alternative Options Considered

- 11.1 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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 27 February 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 28 March 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. Fund account, investment and administration expenses

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 Pensions Committee in March 2018.

2.2 Key Performance Indicators – LGSS Pensions

- 2.2.1 The Pension Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2.2 For the period 1 November 2018 to 31 January 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 January 2018 to 31 December 2018.

2.3.3 Details of late paying employers for October, November and December 2018 can be found in **appendix 4** (private exempt) of the report.

2.4 Large overpayments

2.4.1 One overpayment amounting to £3,434.83 occurred due to a child's pension being overpaid. The child attained age 18 on 6 March 2017 and the appropriate review was not conducted at the time. The review was conducted in August 2018 and recovery of the overpayment is being sought. Processes have been tightened to ensure these reviews are carried out at the appropriate time to mitigate against the risk of further overpayments in this area.

2.4.2 In addition, another overpayment amounting to £3,021.13 occurred due to a delay in the Fund being informed that a member had died, this overpayment is being sought in line with business as usual processes.

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. Finance & Resources Implications

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

5. Risk Management

5.1 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.

- 5.2 The risks associated with either scheme employer or the administering authority failing to meet those performance standards have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Green
Governance (risk 13)	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	Green
Investment and Funding (risk 19)	Contributions to the Fund are not received on the correct date and for the correct amount.	Amber
Administration and Communication (risk 45)	Effective performance management is not in place for the administration of the Fund.	Green

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

6. 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.
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7. Legal Implications

- 7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable

10. Background Papers

- 10.1 Not applicable

11. Appendices

- 12.1 Appendix 1 – Fund account, investment and administration expenses
- 12.2 Appendix 2 LGSS Pensions Key Performance Indicators
- 12.3 Appendix 3 – Receipt of Employee and Employer Pension Contributions
- 12.2 Appendix 4 Details of late paying employers (private)

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

Appendix 1 – Fund account, investment and administration expenses

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

Fund Account	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Contributions ¹	(129,000)	(127,000)	2,000	Decrease due to membership movements.
Transfers in from other pension funds ²	(4,907)	(5,150)	127	Forecast shows actuals to date plus actual monthly average for remaining month.
Total income	(133,907)	(132,150)	1,757	
Benefits payable ¹	101,000	102,000	1,000	Slight movement due to membership changes. Forecast shows actuals to date. Further payments out will be demand led.
Payments to and on account of leavers ²	7,246	7,464	218	
Total Payments	108,246	109,464	1,218	
	(25,661)	(22,686)	2,975	
Management Expenses	8,494	8,316	(178)	See analysis below.
Total income less expenditure	(17,167)	(14,370)	2,797	
Investment income	(30,000)	(27,235)	2,765	Forecast reflects actual to Q3 plus average actual income for Q4 forecast.
Taxes on income	-	75	75	Tax incurred on Real Estate Funds
(Profit) and losses on disposal of investments and changes in the market value of investments	(77,000)	(236,773)	(159,773)	Forecast reflects actual to Q3.
Net return on investments	(107,000)	(263,933)	(156,933)	
Net (increase)/decrease in the net assets available for benefits during the year	(124,167)	(278,303)	(154,136)	

Management Expenses	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,658	2,507	(151)	See analysis in table below.
Total Governance Expenses ³	449	479	30	Increase in ACCESS costs.
Total Investment Expenses ⁴	5,387	5,330	(57)	Actuals to Q3 plus actual average for Q4
Total Management Expenses	8,494	8,316	(178)	

Administration Expenses Analysis	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	1,436	1,285	(151)	Expected underspend due to vacant posts.
Altair System	287	287	-	
GMP/Payroll Reconciliation Project ⁵	60	60	-	
CRM and new website	25	25	-	
Communications	23	23	-	
Other Non-Pay and Income	212	212	-	
County Council Overhead Recovery	615	615	-	
Total Administration Expenses	2,658	2,507	(151)	

Notes on original assumptions

¹Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

²Transfers in and out have been based upon the actual experience to 31 December 2018 plus an average of actual transfers in and out of the scheme to date to forecast the movement in January to March 2019.

³Governance and investment expenses are expected to remain at levels similar to the current year, increasing in line with inflation. Within the governance expenses for 2018/19 is £130,000 in respect of ACCESS related costs (2017/18 £100,000).

⁴Investment are mainly driven by fees paid to managers and are based upon actuals to 31 December 2018 plus a monthly average of actuals incurred to forecast movements in January to March 2019.

⁵The GMP and Payroll reconciliation costs are a one-off expenditure in order to meet the requirements of HMRC as a result of the introduction of the new state pension and cessation of contracting-out in defined benefit schemes. External expertise was required to complete this project in the most effective manner. The unused budget from 2017/18 has been carried forward to meet the cost incurred this year.

Appendix 2 Key Performance Indicators – LGSS Pensions November, December 2018 and January 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%	November: 196 December: 139 January: 149	196 139 149	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later. Please note that the wording of this KPI has been refined to detail exactly what is measured. The previous wording had 2 activities within one KPI which did not provide clarity on the service being delivered.	95%	November: 48 December: 36 January: 35	48 36 35	0 0 0	100% 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%	November: 22 December: 23 January: 26	22 23 26	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%	November: 96 December: 68 January: 84	95 68 84	1 0 0	99% 100% 100%	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%	November: 20 December: 7 January: 22	18 7 22	2 0 0	90% 100% 100%	Amber Green Green	Target not 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%	November: 6 December: 7 January: 6	6 7 6	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met
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*Below SLA target, but within statutory target of 2 months of request. Target missed due to low volume of work and team oversight in this area.

Green: **Equal to or above 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
January 2018	98.6	1.4	98.6	1.4
February 2018	99.3	0.7	99.3	0.7
March 2018	99.3	0.7	98.6	1.4
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
Average for period	99.0	1.0	98.1	1.9

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 28th March 2019

Report by: Head of Pensions

Subject:	Investment Strategy
Purpose of the Report	The purpose of this report is to present to the Pension Committee for approval the revised Investment Strategy recommended by the Investment Sub Committee.
Recommendations	<p>The Committee are asked to:</p> <ol style="list-style-type: none"> 1) Approve the Strategic Asset Allocation set out in paragraph 4.1. 2) Approve the revised Investment Strategy Statement
Enquiries to:	<p>Name: Richard Perry, Pension Services Financial Manager</p> <p>Tel: 07717 360604</p> <p>Email: RPerry@Northamptonshire.gov.uk</p>

1. Purpose of the report

- 1.1. The purpose of this report is to present to the Pension Fund Committee for approval the revised Investment Strategy recommended by the Investment Sub Committee.

2. Background

- 2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) came into force on 1st. November 2016.
- 2.2. The Regulations set out the requirement for the preparation and publication of the Fund’s Investment Strategy Statement (ISS). The Investment Sub Committee (ISC) reviews the (ISS) annually.
- 2.3. The ISC has performed a detailed review of the Fund’s Strategic Asset Allocation (SAA) during 2018, culminating in the agreement of a revised Strategy at the meeting of the ISC on 14 February 2019 to be presented to the Pension Fund Committee for approval.

- 2.4. The Fund's Investment Strategy is reflected in the ISS which, following agreed process, should be reviewed by the ISC before being presented to the Pension Fund Committee. However, due to the delay in determining the proposed revisions to SAA, the revised ISS is being presented to the Pension Fund Committee without initial review by the ISC.

3. Changes arising from the revised Strategic Asset Allocation

- 3.1. The previous SAA (reproduced below for reference) was approved by the Pension Fund Committee at the meeting on 23 March 2017.

Asset Class	Benchmark Allocation	Tolerance (range)
Equities	65.0%	+/- 5% (60.0%-70.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	23.0%	+/- 5% (18.0%-28.0%)
Total Target Allocation	100.0%	

- 3.2. At the February 2019 meeting, the ISC agreed the new SAA of 58% Equities, 12% Fixed Income, Property 10% and 20% Alternatives.
- 3.3. The key attributes of the this diversified approach are that it:
- Should help protect gains in funding and reduce the sensitivity of the assets to an equity stress event, which in turn should help contribution rates remain stable or trend downwards.
 - Should manage risk more effectively, and would be expected to broadly maintain the expected return above the liabilities so as not to increase reliance on the underlying employers.
- 3.4. The return and risk metrics of the proposed strategic allocation are shown below:

	Current SAA	Diversified Portfolio
Expected Return above cash	4.4%	4.4%
Proportion of total return provided by equity	68%	60%
1 year 95% Value at Risk (VaR)	£816m	£807m
Proportion of total risk provided by equity	48%	45%

- 3.5. If the proposed high level SAA is approved, Mercer will work with Officers to propose implementation options. In formulating these proposals, consideration will be given to the availability of suitable options through the ACCESS pool (where these exist).

4. Presentation in the Investment Strategy Statement

- 4.1. The amended SAA table in the ISS is as follows:

Asset Class	Benchmark Allocation	Tolerance (range)
Equities	58.0%	+/- 5% (53.0%-62.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	30.0%	+/- 5% (25.0%-35.0%)
Total Target Allocation	100.0%	

- 4.2. The SAA includes tolerance ranges for each asset class within which they can vary from the strategic target. Flexibility is necessary, particularly for the illiquid Alternative assets, as they would take time to grow to the target level and when the target was achieved, could not be rebalanced readily.
- 4.3. As a result of the change in SAA, the tables showing the linkage of the strategic asset classes to the investment risk factors and the graph presenting the Value at Risk (VaR) has been updated accordingly.

5. Other changes to the Investment Strategy Statement

- 5.1. Other minor changes have been made to the ISS to update it to the February 2019 position, particularly with regards to asset pooling and to improve clarity.
- 5.2. A copy of the revised ISS is attached as Appendix A.

6. Future revisions to the Investment Strategy Statement

- 6.1. Continue to review the ISS and amend accordingly if there are any material impacts.

7. Recommendation

- 7.1. The Committee are asked to:

Approve the Strategic Asset Allocation set out in paragraph 4.1.
Approve the revised Investment Strategy Statement.

8. Relevant Fund objectives

<p><i>Objective 1</i></p> <p>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.</p>
<p><i>Objective 3</i></p> <p>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.</p>
<p><i>Objective 5</i></p> <p>Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.</p>
<p><i>Objective 18</i></p>

Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

9. Risk Management

9.1. The Pension Fund Committee have the authority to review and maintain the ISS.

9.2. The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Investment (Risk 3)	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	Green
Investment (Risk 5)	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Green
Investment (Risk 11)	Mismatch in asset returns and liability movements result in increased employer contributions.	Green

9.3. 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/>

10. Communication Implications

10.1. The revised ISS will be published on the Fund's website when it has been approved by the Pension Fund Committee.

11. Legal Implications

11.1. None

12. Consultation with Key Advisers

12.1. None

13. Alternative Options Considered

13.1. None

14. Background Papers

13.2. ISC papers on the Investment Strategy Review –14 February 2019.

15. Appendices

15.1. Appendix A – Revised Investment Strategy Statement.

15.2. Appendix B – Tracked changes version compared to current Investment Strategy Statement.

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 12 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 13 March 2019

APPENDIX A

Investment Strategy Statement (Published XX XX 2019)

Introduction and background

This is the Investment Strategy Statement (“ISS”) of the Cambridgeshire County Council Pension Fund (“the Fund”), which is administered by Cambridgeshire County Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Pension Fund Committee (“the Committee”) having consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Pension Committee on 29 March 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement which can be found at

<http://pensions.northamptonshire.gov.uk/wpcontent/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf> .

Objectives of the Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund’s Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- Invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth.

Investment Beliefs

The strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth by applying the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
 - a. Asset classes that return over a reasonably long duration are suitable for this Fund.
 - b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
 - a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
 - a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

Selecting a suitable strategy

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in this statement:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

The Committee utilises a wide range of professional support such as an investment consultant and the Fund's Actuary. As noted above, the Fund's objective is to pay benefits as they fall due and this requires the buildup of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2018/19 financial year with particular emphasis on reducing the allocation to listed equities and increasing the allocation to alternatives. Set out below is the high level strategic asset allocation setting out the acceptable tolerance ranges within asset class.

Asset class	Target allocation %	Tolerances%
Equities	58.0%	+/- 5% (53.0% - 63.0%)
Fixed Income	12.0%	+/- 3% (9.0%-15.0%)
Alternatives	30.0%	+/- 5% (25.0% - 35.0%)
Total target Allocation	100.0%	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

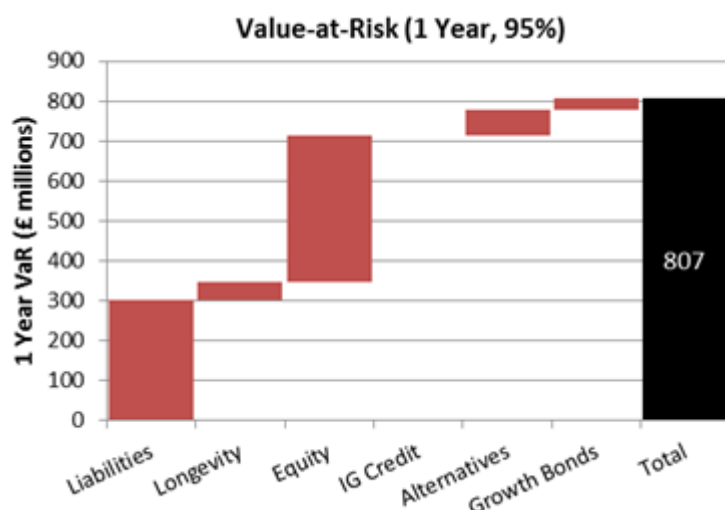
The expected return of this portfolio is 4.4% per annum.

Risks

This section considers key investment risks and mitigations.

Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£405m
Active Manager underperformance	3% underperformance from all active managers	£68m

As shown in both the Value-at-Risk attribution chart and the table above, the two most significant risks that the Fund is running are equity risk and liability risk (arising from interest rates and inflation). The risks associated with active management underperformance of investment assets, whilst not immaterial, is relatively less.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund’s position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure also provide regular cash returns in addition to capital appreciation.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economical fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence takes place before managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk is that net performance underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable given the potential for accessing higher returns. The majority of the Fund's assets, however, remain realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate a degree of short term fluctuations in currency movements, particularly with reference to the Fund's equity portfolio.

Demographic Risk

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

Cashflow Management Risks

The Fund is gradually becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy.

Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement.

Sustainable Responsible Investment Risks

The Fund recognises that effective management of Environmental, Social and Governance ("ESG") issues, captured under the phrase "Sustainable Responsible Investment" ("SRI"), can enhance long term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty.

The Committee believes that engagement is key to responsible investing and strong corporate governance, which will enhance returns over the long term. Details of the Fund's responsible investment policies are set out later in this statement.

Investment of money in a wide variety of investments

The Fund will invest in a range of investments, diversified by type, class, geographical location and market exposure.

Asset classes

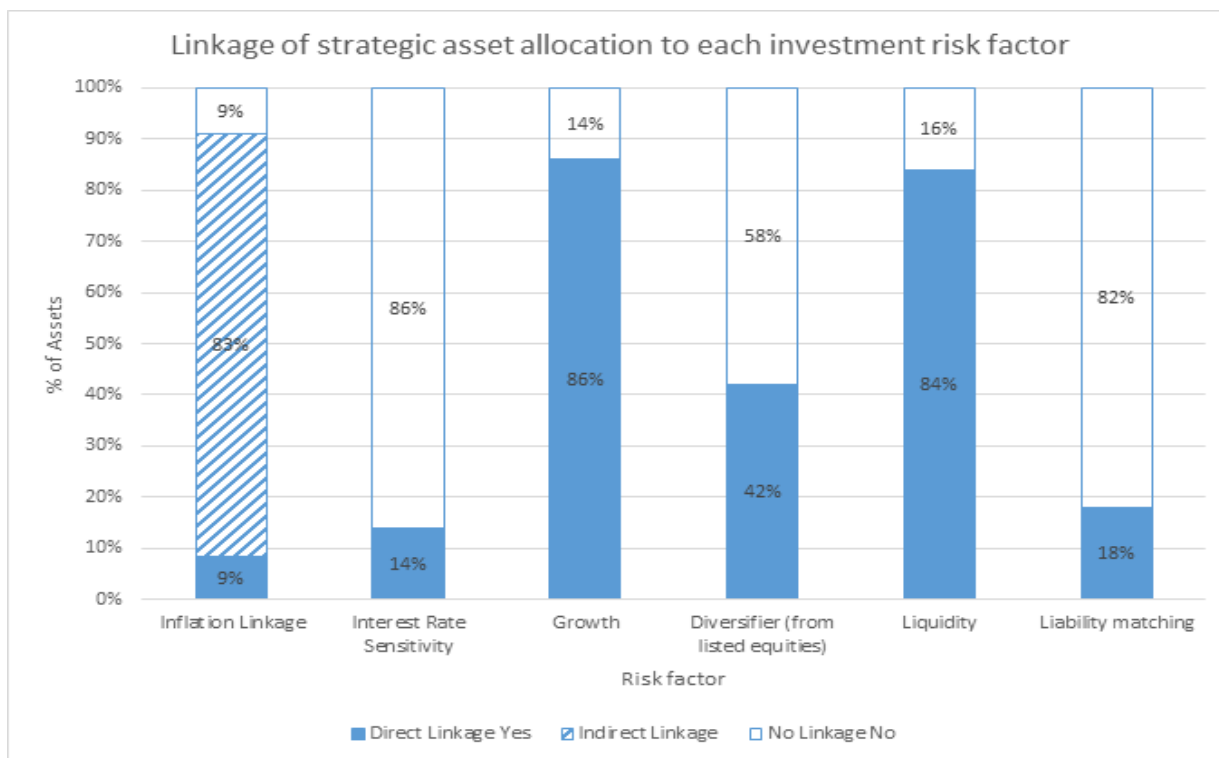
The Fund may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities,
- Fixed interest and index linked bonds,
- Cash,
- Property and commodities, either directly or through pooled funds,
- Private Equity,
- Infrastructure,
- Debt,
- Insurance Instruments,
- Contracts for differences and other derivatives either directly or in pooled funds.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Factor	Allocation	Inflation linkage	Interest rate sensitivity	Growth	Diversifier from equities	Liquidity	Liability matching
Equities	58%	Indirect link to inflation over the long-term	No	Yes	No	Yes	No
Index Linked Gov't bonds	5	Yes	Yes	No	Yes	Yes	Yes
Non-Gov't Bonds	7	No	Yes	No	Yes	Yes	Yes
Property	10	Indirect link to inflation over the long-term	No	Yes	Yes	No	No
Private Equity	7	Yes	No	Yes	Yes	No	No
Local Investing	5	Yes	No	Yes	Yes	No	No
Infrastructure	6	Yes	No	Yes	Yes	No	Yes
Loans	2	No	Yes	No	Yes	Yes	No
TOTAL	100						

The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing monitoring of the Investment Strategy will review the adequacy of the strategy against these factor risks.



Asset Pooling

Cambridgeshire is a member of the ACCESS pool along with the following 10 other pension funds:

East Sussex
Essex
Hampshire
Hertfordshire
Isle of Wight
Kent
Norfolk
Northamptonshire
Suffolk
West Sussex

All eleven funds are committed to collaboratively working together to meet the criteria for pooling and have signed an Inter-Authority Agreement to underpin their partnership. The ACCESS funds are working in the expectation that, over time, all investments will be pooled apart from where there is a no value for money benefit to pooling a specific investment as identified and agreed by an individual fund.

Asset pooling is intended to provide the benefits of scale that will enable the Fund to meet its Value for Money objective, defined as recognising net return over absolute cost. In the pooled investment structure individual funds will remain responsible for their own investment strategy and asset allocation decisions. The pool will be responsible for selecting a suitable number of Investment Managers in order to meet the requirements of all of the funds' investment strategies.

Cambridgeshire will not be pooling an allocation to local alternatives currently comprising interests in the Cambridge & Counties Bank and The Cambridge Building Society. In addition the Fund is exploring local economic development opportunities.

In addition Cambridgeshire will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

Sustainable Responsible Investment Policy (Environmental, Social and Governance)

The Committee considers the financial impact arising from Environmental, Social and Governance ("ESG") risks to be a fiduciary responsibility and an integral part of the risk assessment of any investment, captured under the phrase "Sustainable Responsible Investment" ("SRI"). The Committee recognises that effective management of SRI issues can enhance long-term financial performance of investments and seeks to promote this through two key areas:

- **SRI factors** – considering the financial impact of environmental, social and governance (ESG) factors on the long-term prospects of investments, with awareness of the growing concerns around climate change.
- **Stewardship and governance** – Good governance can enhance the long-term performance of companies, and this is encouraged by the Fund through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee has directed investment managers to consider the effects of SRI issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognises the benefits of working in collaboration with other investors to achieve its aims. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is an initiative that enables the Fund to work with other investors to understand the impacts of SRI considerations on financial performance.

The Fund is committed to working with the ACCESS Pool Operator and fellow funds in ACCESS to ensure that the Investment Managers appointed to the pool adopt the Fund's SRI policies.

The Fund does not exclude investments in order to pursue boycotts, divestment or sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Voting rights

The Fund believes that good stewardship can enhance long-term portfolio performance, and is in the best interests of the Fund's beneficiaries and aligned with fiduciary duty. The Fund supports the principles of the UK Stewardship Code (the "Code") and is working with the Fund's advisers with the intention to sign up to the Code.

The Committee has delegated the exercise of voting rights to investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. For investments held within the ACCESS pool, the Operator has implemented its own voting policy, which has been agreed by all partner Funds and the Operator has included the requirement of all managers to adopt this policy on a comply or explain basis in each sub fund prospectus.

For and on behalf of Cambridgeshire County Council Pension Fund Committee

Investment Strategy Statement (Published XX XX 2019)

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Introduction and background

This is the Investment Strategy Statement ("ISS") of the Cambridgeshire County Council Pension Fund ("the Fund"), which is administered by Cambridgeshire County Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations") and supersedes all previously published Statement of Investment Principles.

The ISS has been prepared by the Pension Fund Committee ("the Committee") having consulted on the contents of the Fund's investment strategy with such persons it considers appropriate. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was last approved by the Pension Committee on 29 March 2018, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement which can be found at

<http://pensions.northamptonshire.gov.uk/wpcontent/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf>.

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Objectives of the Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. Pensions and benefits will be met by contributions, asset returns and income.

The Pension Fund Committee works to endeavour that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Fund is subject to an actuarial review every three years, in preparation for which the Fund, in conjunction with the Fund's Actuary and taking investment advice, prepares a Funding Strategy Statement (FSS) that sets out the strategy to ensure the long-term solvency of the Fund whilst recognising the need for a minimum (where possible and subject to a level of prudence) and, stable level of employer contributions.

The Administering Authority runs the Cambridgeshire Fund, in effect the LGPS for the Cambridgeshire area, to make sure it:

- Invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth.

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Page 7 of 10

Investment Beliefs

The strategy adopted by the Fund reflects the FSS requirements to invest surplus contributions appropriately with the aim that the Fund's assets grow over time with investment income and capital growth by applying the following investment beliefs:

1. The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments and recognises that the Fund is a long-term, open scheme that has an obligation to pay benefits that are linked to inflation. The Committee also takes into account the covenant associated with the Fund's employers in deciding how much risk is appropriate.
2. Asset allocation and specifically the headline amounts invested in equities, fixed income and alternatives, will drive risk and return levels.
3. Investing over the long-term provides opportunities to improve returns.
 - a. Asset classes that return over a reasonably long duration are suitable for this Fund.
 - b. The Fund has a policy of holding managers over the longer-term to reduce the impact of transitions and believes in the benefits of compounded returns.
4. Equities are expected to generate returns above the growth of liabilities over the long-term and have an indirect link to inflation.
 - a. The Fund predominately holds equities due to the belief that they will provide returns above liabilities over the long-term and this helps to ensure that contributions remain affordable.
5. Inflation linked UK Government bonds provide a high degree of liability matching and a direct link to inflation.
 - a. Investments in government bonds are not held for return purposes but are held in order to mitigate the risk that contribution rates need to increase significantly should yields fall.
6. Non-Government bonds are expected to provide a return above government bonds and can provide some interest rate protection relative to the liabilities.
7. Alternative assets are expected to generate returns above liabilities over the long-term, can have an inflation link, as well as providing diversification benefits.
8. Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
10. Passive strategies provide low cost access to market returns.
11. Responsible Investment including Environmental, Social and Governance are important factors for the sustainability of longer term investment returns.
12. Value for money is defined as recognising net return over absolute cost.

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Page 7 of 10

Selecting a suitable strategy

The Pension Fund Committee is responsible for the Fund's asset allocation which is determined via a triennial strategy review as part of the valuation process, but is kept under regular review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering the following, which are expanded upon later in this statement:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit
- An analysis of the magnitude of the various risks facing the Fund is established in order that a priority for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

The Committee utilises a wide range of professional support such as an investment consultant and the Fund's Actuary. As noted above, the Fund's objective is to pay benefits as they fall due and this requires the buildup of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of inflation, without taking undue risk. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund's current investment strategy is set out below reflecting agreed changes made in the 2018/19 financial year with particular emphasis on reducing the allocation to listed equities and increasing the allocation to alternatives. Set out below is the high level strategic asset allocation setting out the acceptable tolerance ranges within asset class.

Asset class	Target allocation %	Tolerances%
Equities	<u>58.0%</u>	<u>+/- 5% (53.0% - 63.0%)</u>
Fixed Income	12.0%	<u>+/- 3% (9.0%-15.0%)</u>
Alternatives	<u>30.0%</u>	<u>+/- 5% (25.0% - 35.0%)</u>
Total target Allocation	100.0%	

The tolerance ranges allow for the long-term natural deviation from the strategic percentage allocation due to differential relative performance of each investment type. Exceeded tolerances will be reported in the quarterly performance report to the Investment Sub Committee.

The expected return of this portfolio is 4.4% per annum.

Risks

This section considers key investment risks and mitigations.

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Risks¶

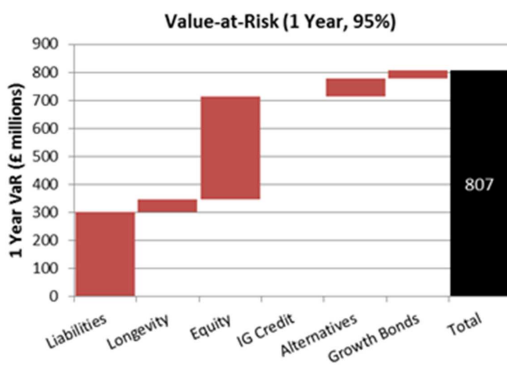
The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood and then prioritised accordingly.¶

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Page 7 of 10

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Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the losses that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



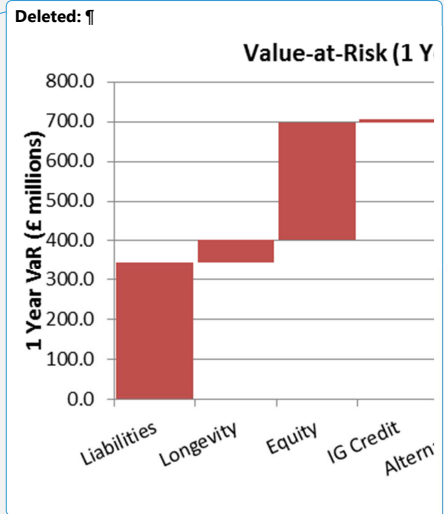
As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	20% fall in equities	£405m
Active Manager underperformance	3% underperformance from all active managers	£68m

As shown in both the Value-at-Risk attribution chart and the table above, the two most significant risks that the Fund is running are equity risk and liability risk (arising from interest rates and inflation). The risks associated with active management underperformance of investment assets, whilst not immaterial, is relatively less.

Liabilities (interest rate and inflation) – The largest risk that the Fund faces is in relation to interest rates and inflation. The investment strategy recognises this and looks to increase the allocation to assets that provide protection against falling rates and rising inflation expectations when affordable to do so, which is considered appropriate in the context of the Fund's position as a long-term investor.

Equities – Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but does believe in diversification, and looks to mitigate equity risk by investing significantly in bonds and alternatives.



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Cambridgeshire Pension Fund

Alternatives – The Fund has a significant amount of assets allocated to a range of alternatives, with allocations to property and private equity, amongst others. The risks that these investments bring at an individual level is not insignificant however the Committee believe that over the long term alternatives will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Funds reliance on returns from equities. Illiquid assets such as property and infrastructure also provide regular cash returns in addition to capital appreciation.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can minimise the level of risk run to a degree.

Passive Manager Risk – This is the simplest style of investment which places monies purely to track indices with the associated risks of following the full effects of both positive and negative market movements benefiting from the most economical fee rates. This contrasts to active management which is applied to smooth volatility and improve market returns albeit at higher fee rates, the assumption being that the net return after fees is greater than pure passive management.

Active Manager Risk – Active Investment Managers are appointed to manage the Fund's investments on its behalf in the expectation that they will outperform the market but also recognising that their mandates may underperform passive managers. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence takes place before managers are appointed. The investment managers are also monitored regularly by the Investment Sub Committee, Officers and by the Fund's Advisors. There is a risk is that net performance underperforms a passive arrangement over the long-term.

Liquidity risk – It is recognised that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long-term investment horizon, the Committee believes that a degree of liquidity risk is acceptable given the potential for accessing higher returns. The majority of the Fund's assets, however, remain realisable at short notice.

Exchange rate risk – This risk arises from unhedged investment overseas. The Committee believes that a long-term investor can tolerate a degree of short term fluctuations in currency movements, particularly with reference to the Fund's equity portfolio.

Demographic Risk

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as the pensioner liability increases. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that investments would need to be realised in order to pay benefits. The Fund is not in that situation at present as cash inflows from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

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Cashflow Management Risks

The Fund is gradually becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy.

Governance Risks

The Fund believes that there is a benefit to the Fund to be gained from good governance in the form of either or both of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit.

[Details of the Fund's governance structure can be found in the Governance Compliance Statement.](#)

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Sustainable Responsible Investment Risks

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Page 7 of 10

Cambridgeshire Pension Fund

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007".

Factor	Allocation	Inflation linkage	Interest rate sensitivity	Growth	Diversifier from equities	Liquidity	Liability matching
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Index Linked Gov't bonds	5	Yes	Yes	No	Yes	Yes	Yes
Non-Gov't Bonds	7	No	Yes	No	Yes	Yes	Yes
Property	10	Indirect link to inflation over the long-term	No	Yes	Yes	No	No
Private Equity	7	Yes	No	Yes	Yes	No	No
Local Investing	5	Yes	No	Yes	Yes	No	No
Infrastructure	6	Yes	No	Yes	Yes	No	Yes
Loans	2	No	Yes	No	Yes	Yes	No
TOTAL	100						



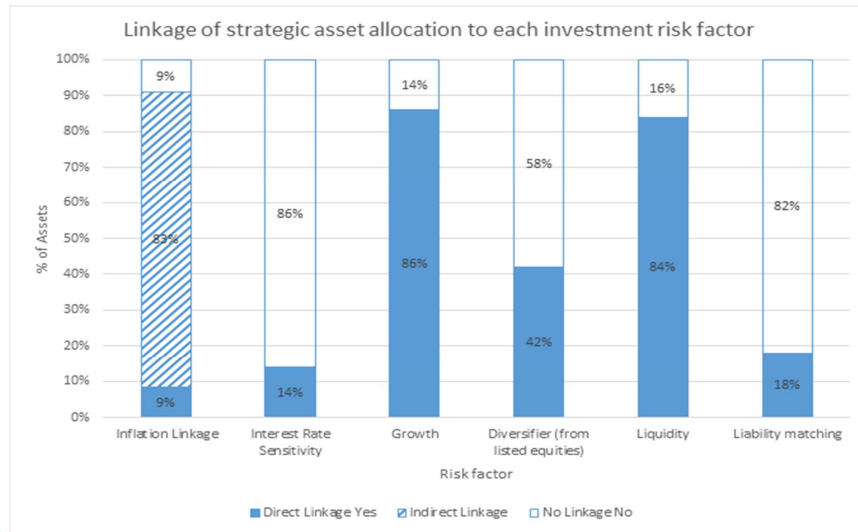
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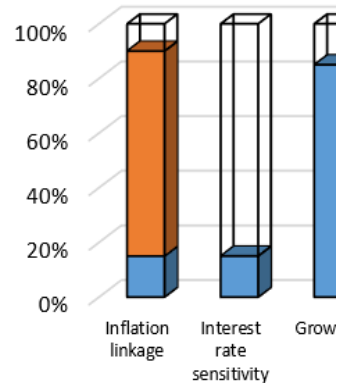
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The ACCESS Funds have set out how they meet the pooling criteria, the pool's structure, governance arrangements and services to be shared in the submission made to the Government in July 2016, which is available on ACCESS's website <http://www.accesspool.org/> ¶
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Page 7 of 10



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Page 7 of 10

Cambridgeshire Pension Fund

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For and on behalf of Cambridgeshire County Council Pension Fund Committee

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UK equities	12.0%	
Global equities	53.0%	

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Government Bonds	5.0%	
Non-Government Bonds	7.0%	

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Property	10.0%	
Private Equity	5.0%	
Infrastructure	5.0%	
Loans	3.0%	

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Role	%	Liability manageme nt	Liability manageme nt	Deficit reduction & affordabilit y	Risk mitigation	Cash flow managemen t	Liability management
UK equities	12.0	Indirect link to inflation over the long-term	N	Y	N	Y	N
Global Equities	53.058%	Indirect link to inflation over the long-term	NNo	YYes	NNo	YYes	NNo

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<i>Illiquidity Budget</i>							
<i>Inflation Sensitivity</i>							

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 28th March 2019

Report by: Head of Pensions

Subject:	Cash Management Strategy
Purpose of the Report	To present the Cash Management Strategy to Pension Committee
Recommendations	The Committee are asked to: <ol style="list-style-type: none"> 1) Note the Report; 2) Approve the Cash Management Strategy
Enquiries to:	Name: Fiona Coates, Principal Finance Technician Tel: 01604 364682 Email: FCoates@Northamptonshire.gov.uk

1. Purpose of the report

- 1.1. To present the Cash Management Strategy to the Pension Committee.

2. Background

- 2.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”) came into force on 1 November 2016, and require the Fund to review its Cash Management Strategy on a regular basis.
- 2.2. The Strategy has been reviewed and officers present a revised Strategy to the Committee for consideration and adoption.

3. Key Regulations

- 3.1 Under the Local Government Pension (Management and Investment of Funds) Regulations 2016, the Fund is required to have its own separate bank account, may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments, and must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.
- 3.2 To meet the requirements of the Regulations, the Fund has identified Objectives and Key Principles to govern the Fund’s approach to Cash Management, as can be seen in sections 3 and 4 of the Cash Management Strategy in Appendix 1.

4. Purpose of the Strategy

- 4.1. The overall purpose of the Strategy is to manage Fund cash efficiently, ensuring adequate cash is available in the Fund's accounts held at Barclays Bank to meet day to day cash requirements of the Fund, and to ensure timely payment of surplus cash to Northern Trust for investment in line with the Investment Strategy Statement.
- 4.2. The processes set up in response to the Strategy include, forecasting, monitoring and periodically moving cash to and from Barclays and Northern Trust.
- 4.3. The Strategy allows Officers the ability to react efficiently to the cash requirements of the Fund.

5. Key Features

5.1. Funds cash objectives

- 5.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 regulations
- 5.1.2. Cash is available as and when required
- 5.1.3. Surplus cash is invested
- 5.1.4. Risks inherent within the Key Principles are managed

5.2. Current cash arrangements

- 5.2.1 The Fund currently holds cash at Barclays and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority

5.3. Key cash flow movements and timings

- 5.3.1 The key activities that occur within the Barclay's accounts above are monitored by Officers through regular profiling of cash movements, which identifies surplus balances or forecast shortfalls, prompting a transfer to, or from, the Custodian.
- 5.3.2 There are three streams of activity, receipt of income through Accounts Receivable, payment of pension benefits through payroll and ad hoc payments through Accounts Payable.

5.4. Operational Issues

- 5.4.1 Identifies the risk, the implications and the mitigations in place for the risk. Covers the key risks, implications and mitigations for Cash Management.

6. Recommendation

- 6.1. That the Pension Committee:
 - 6.1.1. Note the Report;
 - 6.1.2. Approve the Cash Management Strategy.

7. Relevant 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.

Continually monitor and measure clearly articulated objectives through business planning. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.
Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

8. Risk Management

- 8.1. The Pensions Committee have the authority to review and maintain the Cash Management Strategy.
- 8.2. The risks associated with implementing the strategy have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance Risk 1	Failure to administer the scheme in line with regulations and policies	Green
Governance Risk 4	Policies and Strategies not being in place and up to date	Green
Investment Risk 22	Failure to invest surplus contributions	Green
Investment Risk 23	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	Amber
Investment Risk 27	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable	Green

- 8.3. 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/northamptonshire/>

9. Communication Implications

- 9.1. The Cash Management Strategy will be published on the Fund's website when it has been approved by the Pension Committee.

10. Legal Implications

10.1. Legal advice will be sought as required.

11. Consultation with Key Advisers

11.1. None.

12. Alternative Options Considered

12.1. None.

13. Background Papers

13.1. None.

14. Appendices

14.1. Appendix 1 – Cash Management Strategy

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019

Cambridgeshire Pension Fund
Cash Management Strategy
Published XX XX 2019

1. Regulations

- 1.1. Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to have its own separate bank account (paragraph 6.1). A number of other instructions are set out in the regulations regarding managing the Funds cash, these are listed below.
 - 1.1.1. Regulation 5 – Restriction on power to borrow. This regulation states that an authority may only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme or to meet investment commitments. The authority may only borrow if it reasonably believes that the sum borrowed and interest charged can be repaid by the pension fund within 90 days of borrowing.
 - 1.1.2. Regulation 7.8 – Investment Strategy Statement. The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

2. Other Regulatory Influences

- 2.1. The Fund will also have regard to:
 - 2.1.1. Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) (2011).
 - 2.1.2. MHCLG Investment Guidance,
 - 2.1.3. The UK Money Markets Code,
 - 2.1.4. EU Money Market Funds (MMF) Regulation.

3. Objectives

- 3.1. The main objectives of a Cash Management Strategy are to ensure that:
 - 3.1.1. The Fund is compliant with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016,
 - 3.1.2. Cash is available as and when required,
 - 3.1.3. Surplus cash is invested,
 - 3.1.4. Risks inherent within the Key Principles are managed.

4. Key Principles

- 4.1. There are three key principles relating to cash management:
 - 4.1.1. Security – Safeguarding Pension Fund assets,
 - 4.1.2. Liquidity – Ensuring the Pension Fund has cash available as and when required,
 - 4.1.3. Yield – To achieve a market return.

5. Overdraft

- 5.1. An overdraft is a form of borrowing and the 2016 Regulations specify only two reasons that the Fund can legally overdraw, as set out in paragraph 1.1.1. above.
- 5.2. The Fund bank accounts operate with a zero aggregate overdraft facility, with strong financial control processes over cash activities.

6. Cash Arrangements

6.1. The Fund currently holds cash at Barclays and at the Fund's Custodian Northern Trust, both of which have access to interest bearing accounts. There is **no** cash held with the Administering Authority.

6.2. Barclays Bank Plc

Operational cash is held at Barclays Bank, managed directly by Officers. A minimal balance is maintained, varying upon the information available from the three key interfaces:

6.2.1. Accounts Receivable - this account receives all contributions, transfers and invoiced income.

6.2.2. Payroll Account – Pension benefits are paid from this account monthly.

6.2.3. Payables Account – All invoice payments, grants and lump sums are payments are made from this account.

At close of business each day any surplus/shortfall on the above accounts are swept into an overarching interest bearing Liquidity Account to ensure a residual balance of £10,000 on each.

6.3. Northern Trust (Custodian)

The Fund will transfer surplus money from Barclays Bank accounts to the Fund's account at the Custodian for investment in line with the Fund's Investment Strategy. This account also acts as a gateway to receive and pay monies to Investment Managers, for example, cash from Investment distributions. The Fund has a contractual agreement with the Custodian to sweep excess cash into Money Market Funds.

6.4. Investment Managers

Investment managers hold cash at Northern Trust as part of their mandates. Whilst this cash is under the managers' control, it can be recalled by the Fund.

7. Key Cash Flow Movements/Timings

7.1. Barclays Bank

The key activities that occur within the Barclay's accounts, noted at 6.2. above are monitored by Officers through regular profiling of cash movements, which identifies surplus balances or forecast shortfalls, prompting a transfer of cash to, or from, the Custodian.

There are three streams of activity; receipt of income through Accounts Receivable, payment of pension benefits through payroll and ad hoc payments through Accounts Payable. Contribution income is required to be received by the 19th of the month. This is important as it represents the receipt of income prior to the payment of the pensioners' payroll on the last working day of the month. The payments through Accounts Payable occur on an irregular pattern dependent upon demand, with its main activity being the payment of new pension liabilities such as retirement grants, in addition to death grants and transfers out.

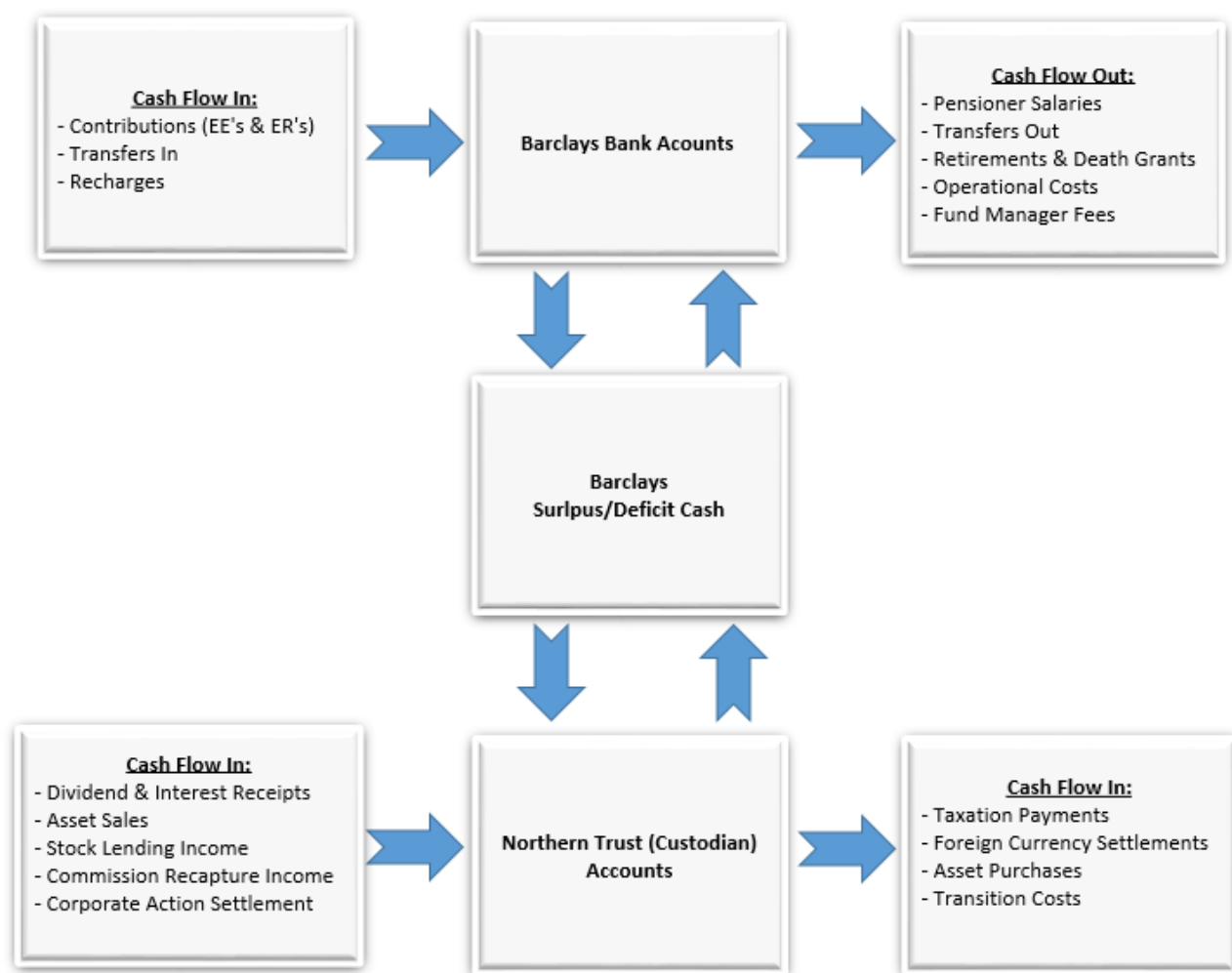
7.2. Custodian

Officers manage the Fund's cash requirements and will first recall cash from the Custodian cash account, then from Investment Managers, giving regard to the asset

allocation, liquidity and exit costs of investment assets, as required. Similarly, investing of Fund surpluses will also be in line with the Fund's Investment Strategy.

8. Operational Issues

Risk	Implication	Mitigation
Exit payments, where cash is due to Employers within the Fund who have a contribution surplus, and Employers transferring their assets and liabilities out of the Fund, generate risks to cash flows and the balance of cash within the Fund.	<ul style="list-style-type: none"> - Becoming overdrawn - Lack of liquidity to fund payments 	<ul style="list-style-type: none"> - Clear inter-team Communication - Segregation of duties - Sale of assets
Timing of payments result in payments exceeding the working balance held at Barclays Bank, requiring a recall of cash from the Custodian.	<ul style="list-style-type: none"> - Becoming overdrawn - Lack of liquidity to fund payments 	<ul style="list-style-type: none"> - Stringent cash management and forecasting - Ability to delay non-essential payments to ease cashflow
A dependency upon LGSS Treasury to action instructions from the Pension Fund in a timely manner.	<ul style="list-style-type: none"> - Lack of liquidity to fund payments 	<ul style="list-style-type: none"> - Stringent cash management and forecasting - Segregation of duties
An investment draw down where insufficient cash is held by the Custodian on behalf of the Fund.	<ul style="list-style-type: none"> - Becoming overdrawn - Lack of liquidity to fund payments 	<ul style="list-style-type: none"> - Stringent cash management and forecasting
County Council officers, with access to Pensions systems, can action fraudulent or erroneous cash movements.	<ul style="list-style-type: none"> - Becoming overdrawn - Payments made to/from wrong bank account - Fraudulent activities 	<ul style="list-style-type: none"> - Segregation of duties - Approval from Pension Senior Management required for cash movements
Surplus cash is not invested in line with the Investment Strategy Statement on a timely basis.	<ul style="list-style-type: none"> - Loss of economic benefit to the Fund 	<ul style="list-style-type: none"> - Stringent cash management - Clear inter-team Communication



9. Glossary

Custodian – An external body responsible for ensuring the investing Fund's assets are registered in the name of the Fund, managing the settlement of trades, collecting income arising and reporting transactions and values to the Fund on a regular basis.

Deficit – An outcome where expenses exceed income.

Investment Manager – An external organisation that makes investments in assets on behalf of clients.

Money Market – A mutual fund that invests in cash and cash equivalent securities.

Surplus – An outcome where income exceeds expenditure.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Data Improvement Plan Progress Report
Purpose of the Report	To present the Pension Fund Committee a report that details progress made against the Pension Fund Data Improvement Plan.
Recommendations	The Committee are 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:

2.2 Resolution of awaiting entry records to correct membership status

Purpose of activity: 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.

Timescale for completion: 31 March 2020

On target for completion: The commencement has been delayed to allow for the completion of the activities detailed in 2.5 and 2.6 as the financial impact in these activities are greater on both the Fund and the scheme member. It is expected that this activity will now commence in September 2019, but will still complete by 31 March 2020.

2.3 Resolution of unprocessed leaver records

Purpose of activity: To process all the unprocessed leaver benefits in accordance with the member's entitlement under the LGPS regulations.

Timescale for completion: As detailed in the table below.

On target for completion: As detailed in the table below.

Activity description	Start Date	Due Date	Completed	Comments	RAG Status
Request missing leaving certificates from scheme employers (Single DB)	Jan 19	Apr 19			G
Request missing leaving certificates from scheme employers (Multi DB)	Jan 19	Feb 19	Complete		G
Process Multi DB casework.	May 19	Nov 19		Re-baselined following discussions with Aon. To be processed over 6 months with one month contingency.	A
Request missing leaving certificates from scheme employers (Amalgamations)	Jun 19	Sep 19		Re-baselined to sync with remainder of project.	G
Design processing solution for Amalgamation casework	Sep 19	Oct 19		Re-baselined to see 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

Progress to date: From the baseline position 853 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
January 2019	298	332	1,295	3,045	4,970

2.4 Contracted-out liabilities reconciliation

Purpose of activity: To compare contracted-out liabilities held on scheme records with that held by HMRC.

Timescale for completion: All queries must have been raised with HMRC by 31 December 2018.

On target for completion: ITM Limited have confirmed that all queries have been raised with HMRC.

Progress to date: The latest update report from ITM Limited dated 26 February 2019 confirms that 89.3% of member's contracted out liability has been reconciled. 8.4% of records are pending processing by ITM Limited following receipt of information from HMRC and 2.3% of records remain with HMRC for query resolution. It is expected that the queries that are with HMRC will not be resolved until 6 April 2019. The total amount of records in scope of this project is 74,586. It is expected that the rectification stage of this project will commence in April 2019.

2.5 Rectification of Pensions Increase errors

Purpose of activity: To resolve inaccurate pensions in payment on the pensioner payroll due to incorrect Pensions Increase being applied. Instances of over or underpayments of members' pensions have been identified but have proved to be small in value.

Original timescale for completion: 28 February 2019

On target for completion: The timescale for completion has been extended to allow for the completion of the activity detailed in 2.6 as the financial impact in that activity is greater on both the Fund and the scheme member. It is expected that this activity will now complete by 31 August 2019.

2.6 Pensioner Payroll vs Pensions Administration reconciliation and rectification

Purpose of activity: To resolve variances in the amount of pension in payment on the pensioner payroll with that held on the administration record. Instances of over or underpayments of members' pensions have been identified.

Timescale for completion: 31 March 2019

On target for completion: Yes

Progress to date: 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.

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 135 have so far been found to be correctly in payment leaving only 356 variances resulting in either an underpayment or overpayment of pension that required rectification.

As at the time of writing this report 222 out of 252 underpayment cases have been fully processed with the member's pension corrected to the right annual rate and with arrears and interest paid. There are a further 30 potential underpayment cases that are significantly more complex to resolve or may interact with the contracted-out project.

To date 53 out of 104 overpayment cases have been addressed. In these cases members have been contacted to notify them that their pension has been overpaid and that it will be reduced to the correct rate. Where the value of the overpayment is in excess of £100, the member has been asked to repay the overpayment by a reduction to their ongoing pension.

Of the 53 members that have been written to advising that they have been overpaid 2 have agreed to repay in full and 23 members have agreed to ongoing deductions from their monthly pension. 9 members' pensions have been corrected with the small overpayment written off in line with the Fund's Overpayment of Pension Policy, 3 overpayments have been written off due to interaction with the contracted-out project and 1 overpayment has been written off as the member is now deceased. Correspondence is ongoing with the remaining 15 members.

It is anticipated that some of the remaining 51 overpayment cases will also prove to have the correct values in payment.

2.7 Member tracing and mortality screening

Purpose of activity: To ensure all membership records for all membership statuses where a liability is held by the Fund has a current or home address or is marked as gone away where attempts to trace the member have been unsuccessful.

Timescale for completion: Time frame for completion of exercise to be confirmed once procurement process has been completed.

On target for completion: Procurement process has begun, and 1,771 members' address records have been cleansed in readiness for the procurement. A further 2,929 members' address records will be cleansed prior to 31 March 2019.

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

Purpose of activity: To resolve common data fails identified in the 2018 data audit.

Timescale for completion: 31 March 2019

On target for completion: Yes

Progress to date: 644 records with a missing, temporary or invalid National Insurance Number have been investigated and corrected where required. 19 members' records with missing or inconsistent forenames and initials have been corrected, as have 74 members' records with either missing or inconsistent gender recorded. The remaining 10,319 common data errors will be resolved following completion of the activities detailed in 2.2, 2.3 and 2.7.

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

Purpose of activity: To resolve scheme specific data fails identified in the 2018 data audit.

There were 118,406 records included in the data audit. Four main issues have been identified affecting 7,304 records where data is missing or inconsistent, but doesn't impact the amount of pension in payment, although will require simple resolution to improve the quality of the data. A further 32 issues have been identified with smaller volumes of records affected in each category, totalling 3,426.

Original timescale for completion: 31 March 2019

On target for completion: The timescale for completion has been extended to allow for the completion of the activity detailed in 2.6 as the financial impact in that activity is greater on both the Fund and the scheme member. It is expected that this activity will now commence in June 2019 and is expected to complete by 31 March 2020.

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
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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.
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6. Legal Implications

- 6.1 Not applicable

7. Consultation with Key Advisers

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

8. Alternative Options Considered

- 8.1 Not applicable

9. Background Papers

- 9.1 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>

10. Appendices

- 10.1 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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 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			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<i>Resolution of awaiting entry records to correct membership status – Rescheduled to</i>											✓	✓	✓	✓	✓	✓	✓
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		✓	✓	✓													
<i>Rectification of Pensions Increase errors – Rescheduled to</i>						✓	✓	✓	✓	✓							
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			✓	✓	✓												
<i>Resolution of scheme specific data fails identified in the 2018 Data Audit – Rescheduled to</i>								✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Pension Fund Committee with: 1) Information on potential, new or amending legislation affecting the LGPS; 2) Information on other pensions legislation; 3) Activities of the LGPS Scheme Advisory Board and the Pensions Regulator; 4) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; and 5) 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 Service 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. Amending legislation

- 2.1 The LGPS (Miscellaneous Amendment) Regulations 2018 were laid before parliament on 18 December 2018 and came into force on 10 January 2019 with the exception of:
- Regulation 4 – a technical amendment to deliver the policy intent for deferred members of the 1995 scheme to be able to access their benefits without their employer's consent from age 55 has been back dated to 17 April 2018.
 - Regulation 5 – provides for the back dating of a survivor's pension to 5 December 2005 in respect of a surviving civil partner of a scheme member and to 13 March 2014 in respect of a surviving spouse of a same sex marriage with a member.

2.2 Scheme members will be informed of these changes in line with disclosure requirements.

3. Scheme Advisory Board (SAB)

3.1 Cost Management Process

3.1.1 Cost management for the LGPS in England and Wales is taking place in the context of a public service pension scheme wide cost cap review under Her Majesty's (HM) Treasury directions. In other schemes indicative outcomes have seen breaches of the cost cap floor requiring benefit improvements in excess of 3% of payroll. The Northern Ireland LGPS is the closest comparable scheme undergoing the cost cap process this year and is currently consulting on a benefit improvement package costing 3.2% of payroll.

3.1.2 The LGPS in England and Wales has a separate cost management process which is completed prior to the finalisation of the HM Treasury cost cap calculations.

3.1.3 At the Scheme Advisory Board meeting on 10 October 2018 it was noted that subject to the agreement by Government to return the scheme design to that agreed in 2013 by employers and scheme members in relation of the annual revaluation of CARE benefits, the outcome of the Board's cost management process was a total scheme future service cost of 19%. As the target for the process is 19.5% the Board agreed to consider recommendations to return the total cost back to the target.

3.1.4 It was also agreed that a sub-group be established to consider a package of benefit improvements to sufficient to return the cost back to 19.5% and such further changes to employee contributions within that total cost necessary to obtain support of both employer and employee representatives of the Board.

3.1.5 The Board agreed the following proposals for changes to benefits:

- Removal of the third tier of ill health costed on the assumption that tier 2 would be awarded in these cases
- Death in service minimum payment of £75,000
- Enhanced early retirement factors equal to all members who are active in the scheme at 1 April 2019 in all sections of the scheme and targeted enhancements to final salary section benefits
- Revision of revaluation of CARE pension accrued to the start of the scheme year as opposed to the end.

3.1.6 The Board's proposals on employee contributions were as follows:

- A new 2.75% band at pay of £0 to £12,850
- The second band of 4.4% at pay between £12,851 to £22,500
- Expansion of the top band from £45,200 to £53,500
- A move away on contribution rates being set in regulation to being guidance.

3.1.7 The following proposals were submitted to the Secretary of State on 16 November and discussions have since taken place with the Minister and a consultation on these changes is expected imminently for regulations to take effect from 1 April 2019.

- 3.1.8 On 30 January 2019, a Ministerial Statement was released which announces a pause in this cost cap process for public service pension schemes pending the outcome of the application to appeal the McCloud case to the Supreme Court. The judgement can be found at the following link:
<https://www.judiciary.uk/wp-content/uploads/2018/12/lord-chancellor-v-mcloud-and-ors-judgment.pdf>
- 3.1.9 It is understood that the LGPS could, if McCloud is upheld, be required to make changes to the underpin and that such changes would need to be taken into account in a revised Scheme Advisory Board cost cap result.
- 3.1.10 The statement gives no timescales for the outcome of this case but it could be late 2019 or early 2020 before the outcome is known.
- 3.1.11 The Scheme Advisory Board will now consider whether it should withdraw the benefit change recommendations made to MHCLG as a result of its own cost cap process. In taking a view, the Scheme Advisory Board will be aware that delaying benefit changes to possibly 2020 while backdating them to April 2019 would constitute a significant administrative burden on administering authorities and employers. Although the Scheme Advisory Board will immediately start considering next steps it should be stated that even if the Scheme Advisory Board wishes to press on any changes to benefits can only be made with the agreement of Government.
- 3.1.12 The administering authority may wish to continue to prepare for the Scheme Advisory Board recommended cost cap benefit changes (as set out in our email of the 21 December) but not anticipate their implementation unless and until such time as MHCLG formally consult on them.
- 3.1.13 The Pension Fund Committee will be kept up to date with developments in this area.

3.2 Data quality – letter from the Scheme Advisory Board to the Pensions Regulator

- 3.2.1 The Chairman of the Local Government Pension Scheme Advisory Board in England and Wales wrote to the Pensions Regulator to highlight the importance of working alongside stakeholders to improve the quality of scheme data and record keeping. The Board's intention is to work in partnership with the Pensions Regulator to deliver improvements in scheme governance and administration.
- 3.2.2 A full copy of the letter can be found at the following link; -
http://lgpsboard.org/images/Other/Letter_sent_to_tPR_26112018.pdf

3.3 Good governance in the LGPS

- 3.3.1 An item on the Scheme Advisory Board's work plan for 2018/19 concerns the possible separation of pension funds from their host authorities (i.e. the County Council) with a view to potentially making recommendations to the secretary of state.
- 3.3.2 In 2015, the Scheme Advisory Board commissioned KPMG to examine the issues and challenges of separating the pension functions of LGPS administering authorities from their host authorities. KPMG's findings can be found at the following link:
http://lgpsboard.org/images/PDF/KPMG_LGPS_SAB_Final_Report.pdf

- 3.3.3 Other priorities at the time halted further work on separation but now the Scheme Advisory Board has agreed to put it back on this current year's work plan a further project to is now being undertaken to see how KPMG's recommendations could be made to work.
- 3.3.4 In August 2018 the Scheme Advisory Board invited bidders to tender for the next stage of the project by 21 September. Hymans Robertson were the successful bidder and engagement with administering authorities is expected shortly.

4. The Pensions Regulator (TPR)

4.1 Public Service Pension Schemes Annual Governance and Administration Survey

- 4.1.1 The annual governance and administration survey was issued to scheme managers of all public service pension schemes in the week commencing 5 November. The survey was web based, voluntary and could be submitted anonymously by the deadline of 30 November.
- 4.1.2 The response in respect of the Cambridgeshire Pension Fund was submitted prior to the deadline and was not submitted anonymously. The survey results are expected to be published in early 2019 and a full report will be submitted to the Pension Fund Committee and Pension Fund Board detailing the findings.

4.2 New Pensions Regulator Chief Executive

- 4.2.1 On 18 December, the Pensions Regulator announced they have appointed Charles Counsell as their new Chief Executive. Charles Counsell is currently Chief Executive of the Money Advice Service and will join the Pensions Regulator at the start of April following the departure of Lesley Titcomb at the conclusion of her term as Chief Executive as the end of February.

4.3 New Pensions Regulator Website

- 4.3.1 On 12 November, the Pensions Regulator launched a new website to give more than three million yearly visitors a clearer and simpler experience. The new site is a key part of the Pensions Regulator's redesigned branding which highlights how the organisation is changing its approach to become clearer, quicker and tougher.
- 4.3.2 The website can be found at the following link:
<https://www.thepensionsregulator.gov.uk/en>

5. Consultations

5.1 Draft MHCLG guidance on LGPS asset pooling

- 5.1.1 On 3 January 2019 the MHCLG published its draft statutory guidance on asset pooling. The consultation is open for 12 weeks (closing on 28 March). It is deemed an informal consultation which is addressed to interested parties only.
- 5.1.2 Features of the consultation document include:
- Guidance will have statutory force
 - The definition of "pooled assets" excludes passive investment in life policies held directly by administering authorities
 - Pool members *must* appoint a pool company regulated by the Financial Conduct Authority

- Pool members *should* consider moving from active to passive investment where active management has not generated better net of fees performance over a reasonable period
- Pool members *should* take account of benefits across the pool and the scheme as a whole and should not seek simply to minimise costs in the short term
- Inter-authority payments *may* be used to share transition costs equitably between pool members
- There are tighter definitions of the conditions to justify keeping assets outside of the pool (existing “retained” assets and new investments)
- From 2020 it is expected that pool members “*should* make new investments outside the pool only in very limited circumstances”
- Pool members may invest in vehicles provided by other pools where collaboration between pools or specialisation can deliver improved net returns
- There is no specific target for infrastructure
- All residential property is included in the definition of infrastructure
- Extensive reporting requirements on costs and performance relative to relevant indices kick in with effect from the 2018-19 report.

5.1.3 Officers will draft a response to the consultation in conjunction with the Chairmen of both the Pension Fund Committee and Local Pension Board. The final response will be included within the next Governance and Compliance report.

5.2 Fair Deal – strengthening pension protection

5.2.1 On 10 January 2019, the Government published a further consultation on the assimilation of its new Fair Deal policy into the LGPS. The consultation will run 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>

5.2.2 Features of the consultation document include:

- 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.

5.2.3 In addition to changes linked to new Fair Deal into the LGPS, the Government has also taken the opportunity as part of this consultation to consider changes aimed at smoothing arrangements where scheme employers are involved in mergers or takeovers (e.g. academies).

5.2.4 Officers will draft a response to the consultation in conjunction with the Chairmen of both the Local Pension Board and Pension Fund Committee following receipt of the views of the Fund’s key advisors. The final response will be included within the next Governance and Compliance report.

6. Skills and knowledge opportunities – training events

6.1 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.

6.2 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.

6.3 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.

7. 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>

8. Risk Management

8.1 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.

8.2 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 register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Governance (risk 12)	Changes to the LGPS and lack of expertise in the new/revised area.	Green
Governance (risk 18)	Failure to provide adequate information to the Pension Committee/Pension Board.	Green

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

9. Finance & Resources Implications

- 9.1 Not applicable.

10. 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.
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11. Legal Implications

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

12. Consultation with Key Advisers

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

13. Alternative Options Considered

- 13.1 There are no alternative options to be considered.

14. Background Papers

- 14.1 None.

15. Appendices

- 15.1 Appendix 1 List of training events/conferences.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here.	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Head of Pensions?	Mark Whitby – 25 February 2019
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 15 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 12 March 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)	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	LGC Investment Seminar	4	Officers, Committee/ Board Members	https://investmentseminar.lgcplus.com Keeping the LGPS affordable and accessible through austerity and uncertain times.
13 - 15 May 2019	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	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 AGM	4	Officers	
10 – 12 July 2019	LGC Pension Fund Symposium	4	Officers	https://pensionfund.lgcplus.com

TBC – Last week Sept 2019	Introduction to the LGPS	2	Officers, Committee/ Board Members	http://www.cipfa.org/training/i/introduction-to-the-lgps-201809266 Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework.
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
16 - 18 October 2019	PLSA Annual Conference	4	Officers, Committee/ Board Members	https://www.plsa.co.uk/Annual-conference-and-exhibition
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

**CAMBRIDGESHIRE
PENSION FUND
COMMITTEE
AGENDA PLAN**

Created January 2019



Cambridgeshire
County Council

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
28/03/2019	Minutes 13/12/18 and Action Log	R Sanderson/ J Walton		
	Appointment of Vice Chairman / Woman	R Sanderson		
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	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 [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Strategic Asset Allocation and Investment Strategy Statement	P Tysoe		
	Risk Strategy and Risk Register (approval)	M Oakensen		
	Business Plan and Medium Term Strategy (approval)	J Walton		
	Overpayment Policy Review (approval)	J Walton		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Cash Management Strategy	P Tysoe		
	Internal Audit Review	P Tysoe		
	External Audit Review	P Tysoe		
13/06/19	Election of Chairman and Vice Chairman / woman			
	Minutes 23/03/2019 and Action Log	R Sanderson/ J Walton		
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	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 [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Cyber Resilience	C Blose		
	Communication Plan	C Blose		
	Cambridgeshire Pension Committee Effectiveness Review	M Oakensen		
	Additional Voluntary Contribution Providers Review	J Walton		
	Funding Strategy Statement (approval)	C Blose		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
25/07/2019	Minutes 13/06/2019 and Action Log	R Sanderson		
	Annual General Meeting – inc Annual Report and Statement of Accounts	M Whitby		
10/10/2019	Minutes 25/07/19 and Action Log	R Sanderson		
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	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 [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Risk Monitoring (6 month review)	M Oakensen		
	Dormancy Policy (approval)	M Oakensen		
12/12/2019	Minutes 10/10/19 and Action Log	R Sanderson		
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	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		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Anti-Fraud and Corruption Policy (approval)	C Blose		
	Actuarial Valuation Report (approval)	C Blose		
19/03/2020	Minutes 12/12/2019 and Action Log	R Sanderson		
	Administration Report [standing item]	M Oakensen		
	Business Plan Update [standing item]	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 [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Administration Strategy (approval)	C Blose		
	Communication Strategy (approval)	C Blose		