

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Board

Date: 19 March 2015

Report by: Deputy Head of LGSS Pensions

Subject:	Pension Fund Annual Business Plan and Medium Term Strategy, 2015-16 to 2017-18
Purpose of the Report	To outline the Fund's objectives for 2015-16 and provide a plan of action as to how key priorities will be achieved.
Recommendations	The Board are asked to approve the attached Pension Fund Business Plan for 2015-16 provided in the Appendix to this report.
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1. Background

1.1 Good governance dictates that each Pension Fund should adopt a Business Plan detailing the Fund's objectives and setting out key priorities for the 2015-16 and in some cases, subsequent years.

1.2 The proposed Business Plan is attached in Appendix 1.

2. Contents of the Business Plan 2015-16

2.1 Executive summary

2.1.1 The executive summary explains the challenges that the Fund has faced and will continue to face over recent and forthcoming years. These challenges range from new and more complex legislation, such as the Public Service Pension Act 2013 and the increasing diversity of Scheme employers as a result of the Academy agenda and the use of alternative service provision models.

This section also refers to the key performance indicators by which the Fund will measure its performance on (located in Appendix 2).

2.2 Purpose and scope of the Fund

2.2.1 This section provides a high level overview of how the Fund operates in terms of its relationship with the Administering Authority through delegated responsibilities to the Pension Fund Board, the Scheme's administration arrangements with LGSS, the governance and oversight arrangements and the relationship with its stakeholders.

2.3 Fund Objectives

- 2.3.1 The setting of clear objectives is critical to effective Fund business planning. The objectives have been agreed through key strategy and policy documents such as the Funding Strategy Statement, Communications Policy, Governance Compliance Statement, Knowledge Management Policy and Statement of Investment Principles. The current objectives for the Cambridgeshire Pension Fund are set out on page 5 of the Business Plan.

2.4 Key Fund activities 2015-16

- 2.4.1 This section details the key activities that the Fund will undertake during 2015-16. The activities are split into categories based on how they have occurred as detailed below:

Activity	
Regulatory activity	Implement the 2015 governance changes as a result of the Public Service Pension Act 2013.
Strategic/Objective activity	Improve employer performance and engagement.
	Improve customer satisfaction.
	Source efficiencies to reduce the cost of administering the Fund.
	Manage the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models.
Renewal/review of contracts	Improve data quality.
	Procurement of actuarial, governance and benefits consultancy service.
	Review Additional Voluntary Contribution providers.

- 2.4.2 As part of good, effective governance it is necessary to implement and review policies and strategies as to the running of the Fund. These policies and strategies also aid transparency to the Fund's stakeholders. The following table details the strategies and policies for creation and review during 2015-16;

Policy/Strategy	Action
Pension Overpayments Policy	New policy to be created.
Admission Bodies, Scheme Employers and Bulk Transfer Policy	Update existing policy following new Regulations.
Objectives of the Fund	Review current objectives to ensure relevance and determine changes and additions.
Investment Strategy	Review of current strategy to ensure relevance and effectiveness.
Knowledge Management Policy	Review current register to ensure relevance and determine changes and additions.
Risk Register	Review current register to ensure relevance and determine changes and additions.
Treasury Management Strategy	Review of current strategy to ensure relevance and effectiveness.

Sustainable and Responsible Investment Policy	Review of current policy to ensure relevance and effectiveness.
Communication Strategy	Review of current strategy to ensure relevance and effectiveness.
Administration Strategy	Review of current strategy to ensure relevance and effectiveness.

2.5 Financial forecasting

2.5.1 This section of the Business Plan details the variables that have been considered in forecasting the Fund account and the administration and investment expenses for 2015-16 to 2017-18. The variables to be considered are as follows;

- Membership profiles – the last 5 years' membership data shows active members have increased very slightly, with an increase in pensioner members and a more significant increase in deferred members which is typical of a gradually maturing Fund.
- Employee contributions – whilst there has been no significant change to the income received from employee contributions, the change to contribution rates may result in high earners switching to the 50:50 section of the scheme where the member would pay 50% of the rate attributed to their pay grade.
- Employer contributions - The results of the 2013 triennial valuation will, over the three years, generate a net increase of contributions to the Fund and is the biggest single reason that employer contributions will maintain a steady annual increase, as each year sees a stepped increase in employer rates.
- Member benefits - Increases in the number of retirees combined with index linked increases to pensions will see the cost of benefits rise quite significantly. Longevity also continues to add pressure to the costs.
- Fund employers - The number of schools converting to academy status continues to increase and the Fund is likely to see more scheduled bodies outsourcing services or seeking alternative service provision models which will further add to the number of scheme employers in the Fund adding to the cost of administration.
- Other factors that have been considered are actuarial cash flow forecasts and assumptions on future pay and pension inflation.

3. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	<ul style="list-style-type: none"> • To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Communications	<ul style="list-style-type: none"> • Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership.
Administration	<ul style="list-style-type: none"> • Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	<ul style="list-style-type: none"> • To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

3. Finance & Resources Implications

- 3.1 The financial and resource implications are set out in the financial forecasting section of the Business Plan, which indicate that:-
- 3.1.1 The Fund is projected to retain a surplus income profile, the plan estimates this will range from £10.6m per annum in 2015-16, decreasing to £10.4m in 2016-17 and £10.2m in 2017-18.
- 3.1.2 The gradual increase in Direct Fund Administration costs reflects both the expected increase in governance costs following the implementation of the Local Pension Board Regulations and increased costs associated with the 2016 Valuation.
- 3.1.3 Performance against the Fund administration budget will be reported to the Pension Fund Board via the Business Plan Quarterly Updates.

4. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
No risk as it is best practice that the Fund has an approved business plan.	N/A	N/A

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

Risk	Risk Rating
If the Fund does not have a Business Plan the Fund will have significant lack of direction, control and structure in the management of its business.	Red

5. Communication Implications

Direct Communications	The Business Plan will be presented to the Pension Fund Board at its quarterly business meetings.
Website	The Business Plan will be published on the Fund's website.

6. Legal Implications

- 6.1 Not applicable.

7. Consultation with Key Advisors

- 7.1 The Fund's key advisers have been consulted in the Business Plan where necessary.

8. Alternative Options Considered

- 8.1 The alternative of not having a Business Plan is not considered an acceptable alternative for the Fund.

9. Background Papers

- 9.1 Not applicable.

10. Appendices

Appendix 1 Annual Business Plan and Medium Term Strategy 2015-16

Appendix 2 Key Performance Indicators

Appendix 3 Key data of the Cambridgeshire Pension Fund

Appendix 4 Forward Plan of Business – 2015-16

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 Head of Pensions?	Mark Whitby – 26/02/2015
Has this report been cleared by the Section 151 Officer?	Chris Malyon – 06/03/2015
Has the Chairman of the Pension Fund Board been consulted?	Councillor Count – 19/03/2015
Has this report been cleared by Legal Services?	Laurie Gould on behalf of Quentin Baker – 02/03/2015