

CAMBRIDGESHIRE PENSION FUND

Agenda Item No: 6

To: Pension Fund Committee

Meeting date: 19 December 2024

Report by: Mark Whitby
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Subject: Pension Fund Annual Business Plan Update report
2024/25

Purpose of the report: To present the Business Plan Update.

Recommendations: The Pension Fund Committee is asked to:

- a) note the Business Plan Update.

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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 and Board on a regular basis. This update highlights the progress made on the key activities for the period.

2. Executive summary

2.1 The Cambridgeshire Pension Fund has for many years considered it good governance to have in place a Business Plan and Medium-Term Strategy that is agreed annually and regularly monitored by the Committee and Board.

2.2 The report summarises the progress made on each activity for the period under review.

2.3 Section 4 of this report provides a progress update for each business plan activity. The table below in Section 3 provides an overview of the RAG status of each activity. All activities are green with the exception of two ambers.

2.4 The tables in appendix 1 provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2024. There are no material variances identified.

2.5 The link to the full Business Plan approved by the Committee in March 2024 is provided in section 8 for full context and reference.

3. RAG status of Business Plan activities.

3.1 The below table provides the progress made against each activity for this reporting period:

Paragraph	Activity	RAG status
4.1 – 4.3	Extend the contract with the current supplier of address and mortality screening services and have a new solution in place from 1 April 2025.	Green
4.4 – 4.6	Procure an Integrated Service Provider (ISP).	Green
4.7 – 4.9	Investment Consultant Contract.	Green
4.10 – 4.12	Review and implement changes required from the Pension Regulator's new General Code of Practice.	Green
4.13 – 4.15	Implement the best practice recommendations of the good governance review.	Green
4.16 – 4.18	Prepare for the implementation of Pension Dashboards.	Green
4.19 – 4.21	Continue to review cyber resilience.	Green
4.22 – 4.24	Implement equality, diversity and inclusion (EDI) best practices.	Amber
4.25 – 4.27	Review the National LGPS Framework for Additional Voluntary Contribution Services (AVC).	Amber
4.28 – 4.30	McCloud remedy rectification.	Amber
4.31 – 4.33	Processing of undecided leaver records.	Amber
4.34 – 4.36	Explore the upgraded member self-service portal, Heywood Engage – reframed activity.	Green
4.37 – 4.39	Continue development of the ACCESS asset pool.	Green
4.40 – 4.42	Continue activities within the Fund's Climate Action Plan.	Green
4.43 – 4.45	Continue with the development of the website.	Green
4.46 – 4.48	Prepare for 2025 Fund Valuation.	Green
4.49 – 4.51	Review suitability of having multiple investment strategies.	Green

3.2 All activities are currently green with the exception of four ambers. The reasons for the ambers are outlined below:

- 1) The EDI Fund Policy has been delayed due to conflicting priorities within the Service and will therefore be presented to the Committee in March 2025.
- 2) The Pension Dashboard project necessitates the need to have arrangements in place with AVC providers for providing information via the ecosystem. The AVC procurement activity will now therefore feature in the 2025/26 Business Plan with appropriate timescales developed if the need for a change in provider/additional provider is established. This activity should therefore revert to Green at the next meeting.
- 3) Whilst progress within year has been positive, processing of undecided leaver records is being held at amber due to the conflicting project priorities within the Service.
- 4) McCloud remedy rectification has now been rated amber due to complexities with record preparation activities resulting from late issuance of statutory guidance.

4. Business Plan Activities

Procurement of Services

Extend the contract with the current supplier of address and mortality screening services and have a new solution in place from 1 April 2025.

4.1 Activity: The contract for address tracing and mortality screening ceased in June 2024 and a temporary contract is in place until 31 March 2025.

The delay in launching the National LGPS Framework has meant that there was inadequate time to comprehensively review options before the initial contract expired.

Therefore, the aim is to have a new solution in place from 1 April 2025 to allow for all options to be fully considered.

4.2 Key milestones:

Key Milestones.	Dates.	On target for completion?
Extend existing contract until 31 March 2025 (subject to s151 Officer approval).	April 2024.	Completed.
Register to access National LGPS Framework.	April 2024.	Completed in May following release of the framework in late April.
Consider framework offerings and other suitable solutions.	June - August- 2024	Completed.
Develop approach for procurement of address and mortality screening services.	September 2024 onwards	Completed.
Conduct procurement exercise under the LGPS National Frameworks (contract to be in place by 1 April 2025)	October 2024 – March 2025.	On target.

4.3 Update: Due to the value of the contract, the procurement team have advised that the best approach would be to issue an award directly via the Framework. Officers are currently assessing the suppliers to establish which would be most suitable supplier based on service needs.

Procure an Integrated Service Provider (ISP) to enable connection to the Pension Dashboards ecosystem before the staging date deadline of 31 October 2026.

- 4.4 Activity: Via a variation agreement to the Fund's pensions administration and payroll software contract, procure Heywood Pensions Technology Ltd's ISP solution and associated data quality reports enabling the connection to the Dashboard ecosystem.

The Heywood ISP solution will fully integrate into the pensions administration system, Altair, resulting in a more effective and straightforward implementation than with an alternative provider.

ISP capabilities of suppliers were tested as part of the 2023-24 pensions software tender.

- 4.5 Key milestones:

Key Milestones.	Dates.	On target for completion?
Complete procurement activities	April 2024.	Completed later than initially planned – August 2024.
Receive data quality reports and produce data improvement plan to improve data quality for matching purposes	April 2024.	January 2025.
Implementation of software	January 2025 to March 2025.	Implementation of the ISP is to be scheduled for early 2025.

- 4.6 Update: The revised variation agreement has now been signed and sealed and came into force on 1 October 2024 alongside the main pensions administration and payroll software contract. Please refer to the activity detailed in 4.16 to prepare for the implementation of Pension Dashboards.

Investment Consultant Contract

- 4.7 Activity: The current investment consultancy supplier is Mercer. The initial contract comes to an end on 30 September 2024. The contract has the ability to extend up to a maximum of three years to 30 September 2027. A decision was taken by the Committee in 2023-24 to align a review of the contract with the 2024 IC Objectives review.

- 4.8 Key milestones:

Key Milestones.	Dates.	On target for completion?
Complete Investment Consultancy (IC) Objectives review.	July 2024.	Completed
Decision as to whether to extend or re-procure the investment consultancy contract.	October 2024.	Completed
Implement ISC decision to extend Mercer contract to 30 September 2026..	September 2024.	Completed
Research and bring to ISC recommendations regarding preferred IC model for procurement.	October 2024 to June 2025.	On target

- 4.9 Update: The Committee received information on various fund investment advice models during a meeting held on 6 September 2024. In September, the ISC approved a decision to extend the Mercer contract for an additional 24 months, with the new end date being 28

September 2026. Officers are currently conducting research into potential models and approaches for procuring investment consultancy services for the Fund.

Core governance activities

Review and implement changes required from the new General Code of Practice.

- 4.10 Activity: In March 2021, the Pensions Regulator launched a consultation on its revised code of practice for the pensions industry. The revised code of practice consolidates, updates, and amends the existing 15 codes of practice into one single consistent source of information.

The responses to the consultation took the Pensions Regulator longer than expected to digest and as such the new general code of practice' came into force on 28 March 2024.

- 4.11 Key milestones:

Key Milestones.	Dates.	On target for completion?
Review compliance of the Fund against the new standards.	Rescheduled to April – June 2024 (April 2024).	Completed for regulatory compliance.
Develop an action plan of changes required.	Rescheduled to July 2024 (May 2024).	Completed for regulatory compliance.
Present the regulatory compliance findings and associated action plan to the Committee and Board.	October 2024.	Completed.
Review compliance of the Fund against TPR expectations and best practice.	October 2024 – March 2025.	On target.
Present TPR expectations/best practice compliance findings and associated action plan to the Committee and Board.	March 2025.	On target.
Present progress against actions.	March 2025 onwards.	On target.

- 4.12 Update: Compliance against the Pension Regulator's expectations has been assessed and independently reviewed by Hymans Robertson to ensure a non-bias approach to the answers and evidence provided by Officers. A report is being presented at this meeting which contains compliance of the Fund against the Code (62 TPR expectation requirements). Best practice compliance will be presented to the Committee by the end of the financial year (26 best requirements).

Implement the best practice recommendations of the good governance review.

- 4.13 Activity: The Scheme Advisory Board (SAB) has been working on the good governance review for several years with the current objective to identify both the issues deriving from the current scheme arrangements and the potential benefits of increasing the level of separation between the host authority and the scheme manager role to avoid potential conflicts of interest.

Following consultation with LGPS stakeholders, in February 2021, a number of recommendations for improvement were identified. Some would require the input of MHCLG

to amend scheme regulations and publish statutory guidance, others by SAB and other for Funds to implement as best practice.

The standards were due to be issued in early 2024.

4.14 Key milestones:

Key Milestones	Dates	On target for completion?
Develop an action plan to implement the best practice activities.	TBC.	
Present update on progress on action plan to the Pension Fund Committee and Pension Board	TBC.	
Implementation of activities requiring SAB and MHCLG guidance.	TBC.	

4.15 Update: No update for this reporting period, the standards have not been issued.

Prepare for the implementation of Pension Dashboards

4.16 Activity: Government made a commitment that Pension Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together.

The connection guidelines which include the staging timescales have now been published and as a result, project plan activities are being undertaken in the following areas to connect to the Pension Dashboard infrastructure: Governance, Internal controls, Connection, Record keeping, Budget, Resource, Data.

4.17 Key milestones:

Key Milestones.	Dates.	On target for completion?
Update the Committee and Board regularly on the Pensions Dashboards Programme (PDP) and Fund progress through Governance and Compliance reports and separate Dashboard progress updates.	2024-25 to 2026-27	Ongoing.
Undertake project plan activities to enable connection to the Dashboard, including data cleansing activities. Progress reported through separate updates.	2024-25 to 2026-27	On target.
Test connection to Dashboard ecosystem.	January 2025	Scheduled and on target.
Live connection to Dashboard ecosystem by 31 October 2025 connection deadline.	April 2025 to October 2025	On target
Dashboards Available Point (DAP) when Dashboards available to public.	TBC (6 months advance notice will be given).	

4.18 Update: The Fund remains on target to connect to the Pension Dashboards infrastructure by the 31 October 2025 as specified in guidance issued by the Department for Work and Pensions. Testing of the ISP console and matching data will be undertaken from January

2025. Further information on Pension Dashboards can be found in a separate report to be discussed at this meeting.

Continue to review cyber resilience

4.19 Activity: Cyber-crime will continue to evolve and become increasingly sophisticated and as such this area will be regularly reviewed and monitored. The cyber action plan (Exempt Appendix 2) will be updated as and when necessary.

4.20 Key milestones:

Key Milestones.	Dates.	On target for completion?
Ongoing monitoring and development of the cyber strategy and action plan via the Business Plan Updates at each meeting of the Pension Committee and Pension Board.	April 2024 – March 2025.	On target for completion.

4.21 Update: The action plan at Exempt Appendix 2 reflects the cyber actions being undertaken during 2024/25.

Implement equality, diversity and inclusion (EDI) best practices

4.22 Activity: The Pensions Regulator has published guidance to help improve pension schemes' equality, diversity and inclusion. Pension schemes have legal duties to scheme members, and good decision making is key to ensuring those duties are met. EDI supports robust discussion and effective decision making and is an important consideration for schemes. The Fund will be aiming to improve its equality, diversity and inclusion via these best practices.

4.23 Key milestones:

Key Milestones	Dates	On target for completion?
Present action plan to Local Pension Board.	April 2024.	Completed.
Present action plan to Pension Committee.	June 2024.	Completed.
Further milestones subject to action plan approval.	June 2024	The action plan was approved by the Pensions Committee on 4 June 2024
Progress actions within the plan.	June 2024 – March 2025	Not on target.
Present progress against the action plan to the Pension Committee and Local Pension Board.	March/April 2025	On target.

4.24 Update: The EDI definition and Fund Policy has been delayed due to conflicting priorities within the Service, some of which were statutory obligations that could not be rescheduled. The Policy was due to be presented for consideration at this meeting but will now be presented in March 2025.

Review the National LGPS Framework for Additional Voluntary Contribution Services (AVC)

- 4.25 Activity: The Fund has two Additional Voluntary Contribution (AVC) providers Utmost Life and Prudential, which have recently been reviewed for administration and investment performance for which both were deemed adequate for the needs of the Fund.

However, it is important that the Fund does not become complacent with arrangements over the long term and other providers should be considered where appropriate to establish whether another arrangement would be better suited for members.

The first National LGPS Framework for AVC Services is being developed to support Funds in meeting their AVC responsibilities and is due to launch at the end of April 2024. A decision will be made as to whether to enter into a procurement process.

- 4.26 Key milestones:

Key Milestone	Dates	On target for completion?
Register to access national LGPS Frameworks.	May 2024.	The Framework was released at the end of July 2024.
Conduct soft market testing with the providers on the Framework.	April- June 2025 (reprofiled from March 2025)	On target for reprofiled dates
Undertake AVC framework review and schedule procurement activities if appropriate.	2025-26	On target.

- 4.27 Update: The AVC Services Framework was released at the end of July, however, due to the significant amount of work required on other projects and the interaction required between AVC providers and scheme administrators to supply information to the Pensions Dashboard, Officers feel it appropriate to delay the formal AVC Framework review. The current AVC providers were deemed adequate from the independent review conducted in 2023 by Aon. The intention is to undertake the soft market testing in the first quarter of 2025/26, with the AVC Framework review to follow.

Scheme member and data projects

Complete the McCloud Remedy Rectification

- 4.28 Activity: The McCloud age discrimination remedy removes the age discrimination that has been judged to have arisen in the LGPS due to the age-related transitional protections that were introduced following the introduction of CARE arrangements in 2014.

Following the implementation of the age discrimination remedy on 1st October 2023 the records of scheme members within scope of the McCloud ruling must be reviewed to determine if any rectification of benefits is required in line with the remedy and national guidance that was issued by MHCLG in June 2024.

- 4.29 Key milestones:

Key Milestones	Dates	On target for completion?
Records updated with any missing intra-fund unaggregated service.	August 2024 to October 2024	Completed.
Scheme members contacted regarding any missing public sector pension scheme (PSPS) unaggregated membership.	November to December 2024.	Completed.
Other PSPSs, including LGPS funds, contacted regarding any missing unaggregated service.	December 2024 to March 2025.	On target.
Cases requiring remediation, based on known PSPS service, identified.	December 2024.	On target.
Recalculation and award of benefits requiring remediation (except Club transfer cases).	January 2025 to August 2025.	On target.
Remediation of Club transfer cases.	TBC	
Identification and remediation of further cases as further PSPS unaggregated service disclosed.	April 2025 to March 2026.	On target.
Preparation for McCloud compliant annual benefit statements.	January 2025 to June 2025.	On target.
Processing of teachers' excess service cases.	April 2025 to March 2026 (provisional)	On target.

- 4.30 Update: The statutory guidance from MHCLG was released in June 2024 and technical guidance and communication templates have continued to be received up until November 2024. Project milestones have been updated to reflect a revised remediation plan, including uncertainty over the ability to process Club transfer cases due to required system developments. Further cases requiring remediation are likely to be identified over time as scheme members inform the Fund of previous Public Sector Pension Scheme (PSPS) unaggregated service. The Fund awaits guidance regarding the processing of teachers' excess service cases.

Processing of undecided leaver records

- 4.31 Activity: The Fund has a number of unprocessed 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 significant number of these records are in progress for a variety of reasons, including outstanding information or workflow. Any case which is older than 6 months since the point of notification is classed as backlog/aged case and reported through this business plan activity.

The backlog had been reduced by approximately 1,250 cases as at 31 January 2024 to 7,268 cases. The intention is to reduce this backlog by 6,000 further cases over the next 3 years.

- 4.32 Key milestones:

Key Milestones.	Dates.	On target for completion?
Reduce the backlog by 1,000	April 2024 – March 2025	On target.
Reduce the backlog by 2,500	April 2025 – March 2026	
Reduce the backlog by 2,500	April 2026 – March 2027	

4.33 Update: As at October 2024, the total number of records within the backlog stood at approximately 6,900 having decreased from a total of 7,500 at the end of March 2024. Future Business Plan update reports will provide details of the progress made to reduce this number. Whilst on target, this activity is Amber due to the conflicting project priorities over the period.

Explore the upgraded member self-service portal, Heywood Engage.

4.34 Activity: The Fund's supplier (Heywood Pension Technologies Ltd) of the current member self-service portal (MSS) have released a new self-service portal, Heywood Engage, with many enhanced features to provide scheme members with a better understanding of their future pension entitlement.

Heywood have recently issued an end-of-life notice for MSS of 31 January 2026. A decision has now been made to commence implementation of Engage in June 2025 with a view to going live in September 2025.

4.35 Key milestones:

Key Milestones	Dates	On target for completion?
Complete contract activities with Heywood	November to December 2024	On target
Complete fact finding documentation to inform Project Initiation Documentation (PID) and Implementation Study	May to June 2025	On target
Installation of Engage and user acceptance testing	July 2025	On target
Sign off user acceptance testing	August 2025	On target
Engage to made available to scheme members	September 2025	On target

4.36 Update: The key milestones have been updated to show the actions required to facilitate a migrations from MSS to Engage by September 2025. Further detailed milestones will be added upon receipt of the PID and Implementation Study.

Investment related activities

Continue development of the ACCESS asset pool.

4.37 Activity: The Fund will continue to develop asset pooling over the medium term. The key developments on the horizon are:

- Expected regulations and guidance following DLUHC’s response to the “LGPS: Next steps on investments” consultation, including those relating to the pooling model, the pace of asset transition, levelling up plans and private equity ambition.
- Matters arising from the ACCESS third party review
- The Operator re-procurement
- Provision of ACCESS non-listed asset solutions; real estate, private equity, private debt, infrastructure
- Responsible investment

4.38 Key milestones:

Key Milestones	Dates	On target for completion?
Consideration of revised regulations and guidance.	TBC	
Consideration/implementation of options from third party review.	Throughout 2024-25	On target
Procurement of Operator.	March 2024 – Dec 2024	On target
Non-listed programme development.	Throughout 2024-25	On target
Responsible investment activities including review of Voting Guidelines.	Throughout 2024-25	On target

4.39 Update: An ACCESS update is provided in a separate agenda item at this meeting.

Continue activities within the Fund’s Climate Action Plan

4.40 Activity: In May 2023, the ISC approved the adoption of the carbon footprint metric as the primary metric for monitoring progress against the existing decarbonisation targets, maintaining reductions at 23% by 2024 and 57% by 2030.

In November 2023, ISC approved the “roadmap” carbon reporting beyond listed equities.

4.41 Key milestones:

Key Milestones	Dates	On target for completion?
All activities are listed within the Climate Action Plan – see Appendix 3.	During 2024/25.	On target

4.42 Update: The latest Analytics for Climate Transition (ACT) report, which outlines decarbonisation targets for both the corporate bonds portfolio and the combined listed equity and bonds portfolio, was originally scheduled for presentation at the November ISC meeting. However, due to the meeting being adjourned for lack of quorum, the ACT report is now scheduled to be presented at the ISC meeting in February 2025.

In May 2024 ISC agreed a proposal to incorporate an additional metrics, Science-Based Targets Initiative (SBTi) alignment into the June 2024 Analytics for Climate Transitions (ACT) report. The scope of the climate action plan is currently being extended beyond listed equities to encompass multi-asset credit in future analyses, thereby increasing coverage to 57.5%

Communications

Continue with the development of the website

- 4.43 Activity: Following review of the pension fund website and testing of recommended changes, a homepage and example content pages have been developed and comments received from the local pension board.

The team will now finish the build of the website during quarter 1 of the scheme year and launch in quarter 2.

Following the initial launch, satisfaction of the new website will be tested at the end of quarter 3.

- 4.44 Key milestones:

Key Milestones	Dates	On target for completion?
Webpages to be drafted and approved for publication.	April to June 2024	Rescheduled to end of September
Communicate planned website update to stakeholders.	May to July 2024	Completed
Launch new website.	July 2024	Rescheduled to October to December 2024
Review satisfaction with new website.	December 2024	Rescheduled to April 2025

- 4.45 Update: Since the last update, we've uploaded the content to the website and have now entered the testing stage ready for a soft launch by the end of the calendar year and a wider launch in the new year.

Prepare for 2025 Fund Valuation

- 4.46 Activity: The date of the next triennial valuation of the Pension Fund is 31 March 2025 with results to be published by 31 March 2026 and new employer contribution rates effective from 1 April 2026. Officers will work with the Fund's actuarial advisors to develop requirements and plan for the valuation.

This will include a review of assumptions to be used for the valuation and preparation of early valuation results for large local authority employers.

- 4.47 Key milestones:

Key Milestones.	Dates.	On target for completion?
Develop plan with Fund Actuary	April to June 2024	Completed
Undertake pre-valuation activities	July 2024 to March 2025	On target
Agree approach to be taken for stabilisation of contribution rates for large scheduled bodies	December 2025	On target
Agree the financial assumptions to be used for the valuation	March 2025	On target
Valuation of the Pension Fund	April 2025 to March 2026	On target

4.48 Update: Initial modelling of contribution options for large scheduled bodies has now been completed and a recommendation will be made at this meeting, for approval by the Committee, regarding the approach to be taken to setting these contribution rates. A more detailed update will be provided within the valuation update report.

Review suitability of having multiple investment strategies

4.49 Activity: The Pension Fund Committee previously considered whether to introduce multiple investment strategies to provide greater flexibility to meet the different funding requirements of scheme employers.

This was not previously implemented as modelling of a variety of “investment buckets” suggested no material improvement in funding outcomes, with increased downside risk.

However, modelling did suggest that multiple investment strategies may provide improved outcomes if certain conditions were different, including if asset values were 20% greater than at the time of the modelling.

Reconsideration is therefore proposed via a two-stage process, initially investigating whether the landscape has sufficiently changed to warrant further impact modelling and then a full impact review of the options.

4.50 Key milestones:

Key Milestones.	Dates.	On target for completion?
Actuary to carry out initial assessment to determine if conditions have changed sufficiently to warrant further impact modelling.	April 2024	Completed.
Officers to consider results of initial assessment.	May to June 2024	Completed
Officers to make recommendation to Committee.	July 2024	Completed
If recommended and approved Fund officers to discuss scope of impact modelling and options to be considered.	August to September 2024	Completed
Actuary to carry out impact modelling.	October to December 2024	On Target
Officers to consider results of impact modelling.	January 2024	On Target
Officers to present results and make recommendation to Committee for approval	March 2025	On Target

4.51 Update: The modelling of different notional investment buckets has now been completed and the results have been discussed with officers. Officers are now considering the results and options before making a recommendation to the Committee at its March meeting. An update will be provided at this meeting as part of the update on the valuation of the Pension Fund.

5. Relevant Pension Fund objectives

5.1 To continually monitor and measure clearly articulated objectives through business planning.

6. Risk Management

- 6.1 The Cambridgeshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Committee has approved a Risk Strategy, and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Board at every meeting, or more frequently if necessary.

Risk.	Residual risk rating.
The operations of the Pension Fund and that of its suppliers are interrupted as a result of a cyber-attack.	Amber
Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided	Green
Unable to deliver pension services due to inadequate recruitment/retention processes and inadequate skills and knowledge to undertake the role effectively.	Amber
Information may not be provided to stakeholders as required.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber
Failure to respond to changes in economic conditions.	Amber
Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green
The ACCESS asset pool does not have the sub-fund choices available to enable the Fund to fulfil its strategic and tactical asset allocation requirements in a timely manner.	Amber
Failure to administer the scheme in line with regulations and guidance	Green
The Fund does not meet the proposed timeframe to pool assets, by March 2025, and/or is unable to adequately "comply or explain" why assets remain outside the pool.	Green
The Pension Fund and its members may become a target for fraudsters and criminals.	Amber
Risk of fraud and error.	Green
The Pension Fund fails to comply with legal duties in connection with Pension Dashboards	Green
Unable to deliver pension services due to high levels of workplace sickness absence	Amber
Pension Fund systems and data may not be secure and appropriately maintained, whether in situ or in transit.	Amber

7. Implications (including financial implications)

7.1 Resources and financial

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

7.2 Legal Implications

7.2.1 No material issues have been identified which may give rise to legal liability and/or risk from an administering authority perspective.

7.3 Consultation with Key Advisers

7.3.1 Squire Patton Boggs conducted a review of the paper for legal implications.

7.4 Communication Implications

7.4.1 The Business Plan Update will be presented to the Pension Fund Committee and Pension Fund Board at each meeting.

7.5 Alternative Options Considered

7.5.1 Not applicable.

8. Background Papers.

8.1 [Council and committee meetings - Cambridgeshire County Council > Meetings \(cmis.uk.com\)](http://cmis.uk.com)

9. Appendices

9.1 Appendix 1 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

9.2 CONFIDENTIAL Appendix 2 – Cyber activity action plan

9.3 Appendix 3 – Cambridgeshire Pension Fund Climate Action Plan

10. Accessibility

10.1 An accessible version of the information contained in this report and appendices is available on request from the report author.

Appendix 1 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

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

	2024/25 Estimate	2024/25 Forecast	Variance	Comments
	£000	£000	£000	
Contributions ¹	155,000	153,200	(1,800)	£5m exit credits were paid to the exited scheme employer up to Q2, which was not included in 24/25 budget.
Transfers in from other pension funds ²	18,000	14,500	(3,500)	Demand led
TOTAL INCOME	173,000	167,700	(5,300)	
Benefits payable ³	(149,000)	(152,000)	(3,000)	Benefits in line with current membership numbers
Payments to and on account of leavers ²	(13,000)	(13,900)	(900)	Demand led
TOTAL PAYMENTS	(162,000)	(165,900)	(3,900)	
Net additions/(withdrawals) from dealings with members	11,000	1,800	(9,200)	
Management expenses (Invoiced)	(5,903)	(5,934)	(31)	See below
Management expenses (Non-invoiced) ⁴	(21,300)	(21,100)	200	Calculated using fees from prior year plus actuarial growth assumption on AUM at September 24 to March 25
TOTAL MANAGEMENT EXPENSES	(27,203)	(27,034)	169	
TOTAL INCOME LESS EXPENDITURE	(16,203)	(25,234)	(9,031)	
Investment income ⁵	48,000	79,800	31,800	Actual income received to Q2 plus two estimated quarters. Large income distributions from BlueBay in August 24 contributed to the variance between Budget and Forecast
Taxes on income	-	(64)	(64)	Actual taxes on income to September 24

Profit and (losses) on disposal of investments and changes in the market value of investments ⁶	219,000	190,800	(28,200)	Actual Q2 return followed by actuarial long term growth assumption
NET RETURN ON INVESTMENTS	267,000	270,536	3,536	
Net increase/(decrease) in net assets available for benefits during the year	250,797	245,302	(5,495)	

Management Expenses

	2024/25 Estimate	2024/25 Forecast	Variance	Comments
	£000	£000	£000	
Total administration expenses	(3,546)	(3,437)	109	See Below
Total governance expenses	(1,072)	(1,106)	(34)	Legal costs to October 24 are higher than expected
Total investment expenses	(1,285)	(1,391)	(106)	Transition fee for new acquisition, which was not included in 24/25 budget
TOTAL MANAGEMENT EXPENSES	(5,903)	(5,934)	(31)	

Administration Expenses

	2024/25 Estimate	2024/25 Forecast	Variance	Comments
	£000	£000	£000	
Staff related	(2,458)	(2,461)	(3)	
Altair administration and payroll system	(413)	(424)	(11)	
Data Assurance	(22)	(20)	2	
Communications	(87)	(75)	12	Heywoods Pensions Dashboard fees lower than expected
Other non pay and income	15	124	109	Interest received higher than expected due to higher cash balances held at NatWest to pay for exit credits
County Council overhead recovery	(581)	(581)	-	
TOTAL ADMINISTRATION EXPENSES	(3,546)	(3,437)	109	

¹Contributions have been calculated using the Employer contribution rate and salary increase assumptions of 3.2% set by the actuary at the 2022 Valuation.

² Transfers in/out have been calculated using an average of 3 years (excluding group transfers).

³ 2024/25 benefits payable have been calculated using average membership increases, estimated PI of 6.7% and pension increases assumptions of 2.7% set by the actuary in subsequent years.

⁴ Management expenses (non-invoiced) have been calculated using investment managers actual fees plus the actuarial assumption of investment growth +4.9% per annum.

⁵ Investment income have been calculated by using an average of 3 years income received and applying the actuarial assumption of investment growth +4.9% per annum.

⁶ Return on Investments have been calculated by applying the actuarial assumption of investment growth +4.9% per annum.