

Annual Business Plan and Medium Term Strategy

2021/22 to 2023/24

Cambridgeshire Pension Fund

Part 1

Introduction

This is the business plan for the Cambridgeshire Pension Fund which is managed and administered by Cambridgeshire County Council. The business plan details the priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2021/22, 2022/23 and 2023/24. The business plan was approved at the Pension Committee meeting on xx. The business plan is monitored throughout the year and the Pension 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 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 2021/22 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:

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Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £3.704bn* 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 89,500 of which 27,800 are active members from over 340* individual contributing employers and approximately 61,700 retired, survivor, deferred and other members.

**As at 31 December 2020*

Governance and management of the Fund

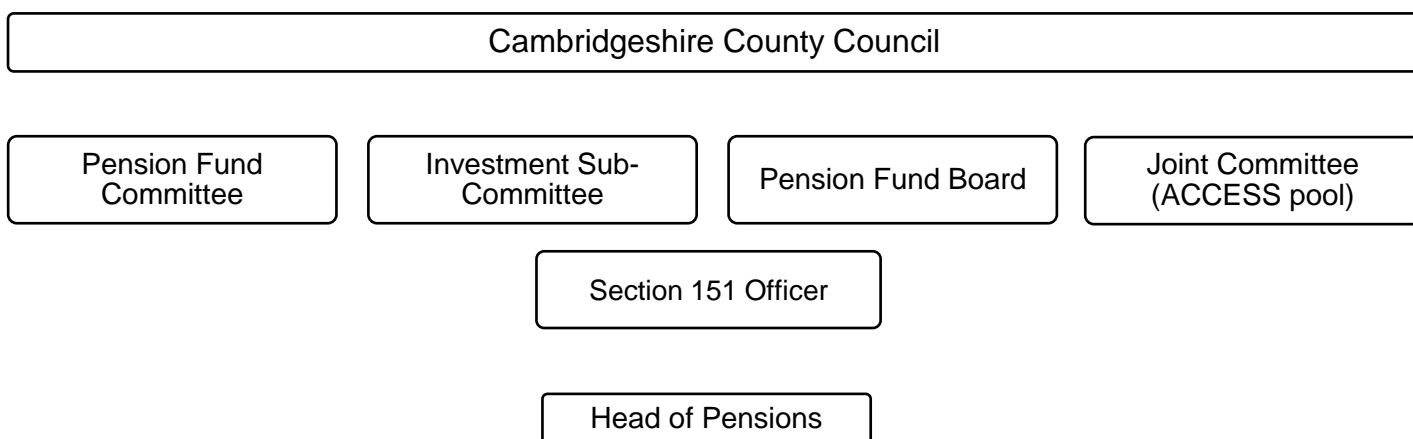
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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, are working 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

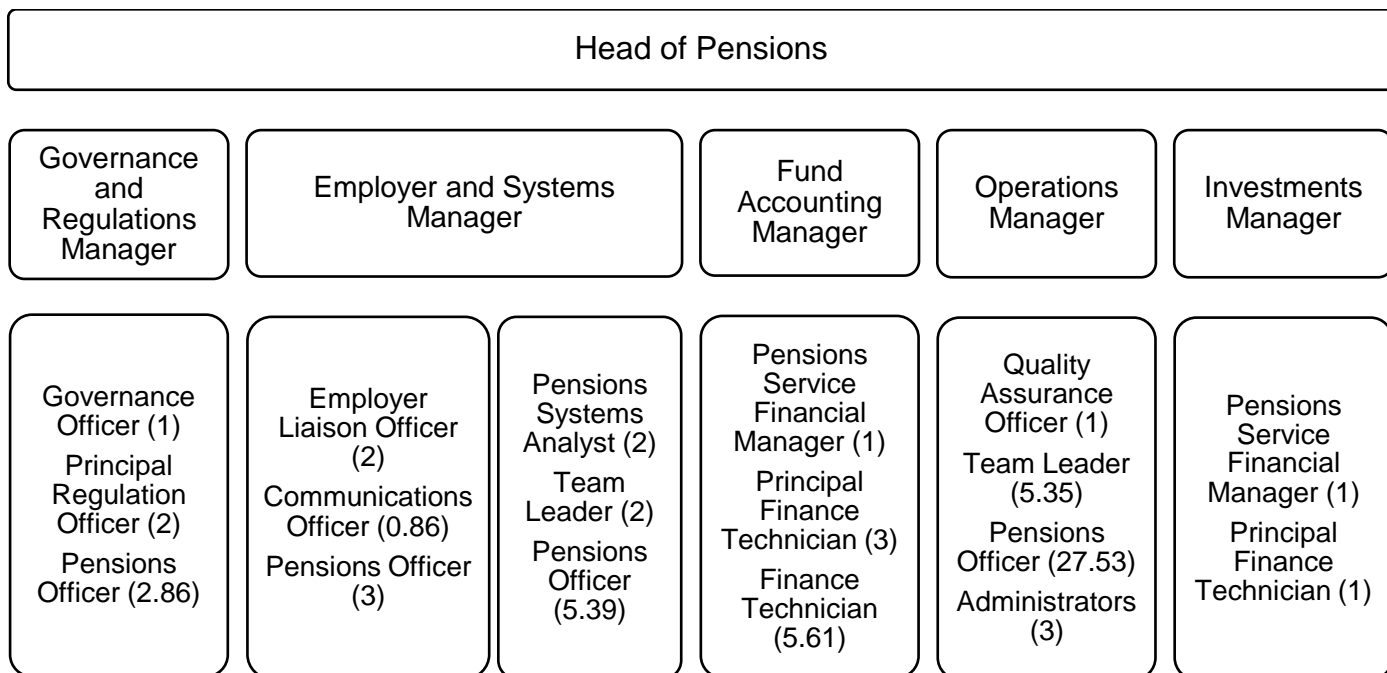
The Cambridgeshire and Northamptonshire Pension Funds have been administered under a shared service arrangement since 2012, initially by LGSS. On 1 December 2020 administration moved to a lead authority model with the lead authority being Northamptonshire County Council, working in partnership with Cambridgeshire County Council. On 1 April 2021 West Northamptonshire Council became the lead authority following local government reorganisation in Northamptonshire. The Funds remain two distinct entities.

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

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

- The Operations Team is responsible for providing the full range of casework 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 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 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 is responsible for managing agendas, producing reports and delivering training to the Pension Committee and Local Pension Board. In addition, the 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 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 Fund Accounting Team provide 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 structure of the Pensions Service which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2021 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.
- To 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.
- To 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.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.
- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To 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.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To 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 focuses 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 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 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 Fund Actuary every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Fund 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.
- Managing the FRS/IAS reporting cycles alongside the Fund Actuary, based on employer specifications and appropriately communicating with Scheme Employers.

Investments

- Monitoring and reporting on the Fund's funding position.
- Carrying out a review of the investment strategy at appropriate intervals.
- Managing the Fund's assets through the asset pool arrangements or directly for non-pool aligned assets.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS Funds within ACCESS to ensure the pool meets the Fund's strategic investment requirements.

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:

- The continued impact of the pandemic on management, investment and administration.
- The increased oversight by the Pensions Regulator and the issuance of the new singular code of practice where compliance must be achieved within 12 months.
- New and amending regulations affecting the Local Government Pension Scheme including the currently revoked £95k exit cap, the remedy resulting from the McCloud high court ruling and the paused national LGPS cost control review and a number of regulatory changes impacting on scheme employers.
- The requirement to rectify member contracted out data held by the scheme with that held by HMRC following significant delays in HMRC issuing the final correct data.
- The increasing number of scheme members affected by the government's pensions tax regime and reducing allowances on pension savings.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers and Committee and Board members to comply with the requirements of MIFIDII, CIPFA's new skills and knowledge framework and new statutory guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The increasing number of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.

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:

- Procurement of services
- Core governance activities
- Scheme member and data projects
- Scheme employer projects
- Investment related activities.

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 2020/21 to 2023/24

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

	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Contributions ¹	130,000	147,696	119,000	121,000	123,000
Transfers in from other pension funds ²	5,200	6,708	23,000	7,000	7,000
TOTAL INCOME	135,200	154,404	142,000	128,000	130,000
Benefits payable	(114,000)	(111,352)	(113,000)	(115,000)	(117,000)
Payments to and on account of leavers ²	(10,200)	(6,891)	(7,000)	(7,000)	(7,000)
TOTAL PAYMENTS	(124,000)	(118,243)	(120,000)	(122,000)	(124,000)
	11,000	36,161	22,000	6,000	6,000
Management expenses	(5,149)	(4,585)	(4,173)	(4,177)	(4,231)
TOTAL INCOME LESS EXPENDITURE	5,851	31,576	17,827	1,823	1,769
Investment income less	40,000	23,000	34,000	35,000	36,000
Taxes on income (Profit) and losses on disposal of investments and changes in the market value of investments ³	-	-	-	-	-
	69,000	686,700	150,000	156,000	163,000
NET RETURN ON INVESTMENTS	109,000	709,700	184,000	191,000	199,000
Net (increase)/decrease in net assets available for benefits during the year	114,851	741,276	201,827	192,823	200,769

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 2015/16 to 2019/20. Transfers in include a large group transfer (circa £16m) scheduled to be received in 2021/22.

³Return on Investments have been calculated by applying the long-term actuarial assumption for investment growth (+4.1%) per annum.

Management expenses

	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Total administration expenses	(2,644)	(2,791)	(2,539)	(2,500)	(2,509)
Total governance expenses	(784)	(697)	(720)	(726)	(732)
Total investment expenses ⁴	(1,721)	(1,097)	(914)	(951)	(990)
TOTAL MANAGEMENT EXPENSES	(5,149)	(4,585)	(4,173)	(4,177)	(4,231)

Notes:⁴Investment expenses estimates include management fees for property funds. These will reduce once property has migrated into the asset pool, however timescales for property transitions are yet to be confirmed.

Administration expenses

	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000	£000
Staff related	(1,423)	(1,519)	(1,597)	(1,600)	(1,603)
Altair administration and payroll system	(336)	(355)	(365)	(366)	(366)
Data improvement projects	(313)	(350)	(49)	-	-
Communications	(71)	(71)	(24)	(25)	(26)
Other non pay and income	(16)	(11)	(15)	(16)	(17)
Council overhead recovery	(485)	(485)	(489)	(493)	(497)
TOTAL ADMINISTRATION EXPENSES	(2,644)	(2,791)	(2,539)	(2,500)	(2,509)

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 Committee and Pension Fund 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 and identify 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.

Risk Management

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 Pension Fund Board at every meeting. Changes to the level of risk are reported to the Pension Committee at every other meeting, or more frequently if necessary.

The table below lists the Fund's highest rated risks as at February 2021. The full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

Risk	Residual risk rating
Employers are unable to pay increased contribution rates.	Amber
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Contributions to the Fund are not received on the correct dates and/or for the correct amount.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber