

CAMBRIDGESHIRE PENSION FUND BOARD



Date: Friday, 03 May 2019

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:15hr

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>
2. **Minutes of the Cambridgeshire Pension Fund Board 15th February 2019** **5 - 28**
3. **Minute Action Log** **29 - 32**
4. **Minutes Pension Fund Committee 28th March 2019** **33 - 46**
5. **Review of the effectiveness of the Pension Board** **47 - 58**
6. **Governance and Compliance Report** **59 - 74**
7. **Risk Monitoring** **75 - 88**

8.	Cambridgeshire Pension Fund Internal Audit Report and External Audit Report Year ended 31st March 2019	89 - 150
9.	Investment and Fund Accounting Reports presented to the Pension Fund Committee	151 - 188
10.	Administration Performance Report	189 - 198

Exclusion of the Press and Public if the Board wish to discuss the detail of the confidential Appendix 4 of the Administration Report

To resolve that the press and public be excluded from the meeting on the grounds that appendix 4 of the report contains exempt information under paragraph 3 of Part 1 of Schedule 12a of page 1 of 326 of the Local Government Act 1972, as amended, as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information)

11.	Data Improvement Plan Progress Report	199 - 206
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13.	Annual Business Plan and Medium Term Strategy 2019-20 to 2021-22	217 - 250
14.	Cambridgeshire Pension Fund Effectiveness Review Actions	251 - 258
15.	Valuation of the Pension Fund	259 - 262
16.	Re-Appointments to Board	263 - 266
17.	Agenda Plan	267 - 272
18.	Exclusion of Press and Public	

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 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)

19. Access Asset Pooling Update

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

20. Date of Next Meeting - 5th July

The Cambridgeshire Pension Fund Board comprises the following members:

Councillor Simon King (Chairman) Mr David Brooks (Vice-Chairman)

Mr Barry O'Sullivan Councillor Denis Payne and Mr John Stokes and Councillor Elisa Meschini

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>.

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LOCAL PENSION BOARD

Agenda Item: 2

MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 15th February 2019

Members of the Board in attendance:

Employer Representatives – County Councillors E Meschini, S King (Chairman) and Parish Councillor D Payne

Scheme Member Representatives - D Brooks (Vice Chairman), B O’Sullivan, and J Stokes

Officers in attendance:

M Oakensen - Governance Officer

R Sanderson - Democratic Services Officer

J Walton - Governance and Regulations Manager

M Whitby - Head of Pensions

Consultants:

Mary Lambe AON

Catherine Pearce AON

Time: 10.20 am to 12.15 pm

Place: KV Room, Shire Hall, Cambridge

70. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

**ACTION
BY**

No apologies for absence were received. Democratic Services passed on a message that the Chairman would be late as he was having difficulty accessing the car park due to a demonstration. It was agreed to delay the start of the meeting until his arrival.

There were no declarations of interest.

71. MINUTES & ACTION LOG – 19th OCTOBER 2018

Subject to:

- Including the attendance of Mary Lambe and Catherine Pearce from AON.
- Page 11 Minute 65. Annual Report and Statement of Accounts on the reference to page 29, List of Admitted Bodies, changing the person who had queried its completeness from the Vice Chairman to John Stokes

the minutes of the meeting of 19th October 2018 were approved as a correct record and signed by the Chairman.

Updates to the published Minute Action Log:

- **Page 19 Minute 61 - Pension Fund Annual Business Plan Update Report – request for the Board to receive a more in depth paper on the measures being proposed to retain staff at the February meeting.** As an update the Head of Pensions explained that this report had not been produced, as this had not transpired to be an issue for the Service. The original concerns were linked to fears of staff retention as a result of the budget issues at Northamptonshire County Council. This had not happened. If anything, the Pensions Service was seen by staff to be a more secure employment area. Staff retention would be looked at again as part of the Business Plan update at the end of March but it was unlikely that any action would be required. What officers could do was circulate a report on what the industry in general was doing to retain staff. **Action - It was agreed that the request for a paper on staff retention measures could be deleted and replaced with an action of officers sharing the Pensions and Lifetime Savings Association (PLSA) industry retention report.**
- **Page 24 - Minute 69 - ACCESS Asset Pooling Update** –request for background to the Joint Committee representation. *Post meeting note: This additional information had been provided in an e-mail to Barry O’Sullivan dated 8th February 2019 which was after the despatch of the agenda. It included providing a copy of the Inter Authority Agreement signed by every ACCESS partner.* **Action therefore completed.**

The Action log was noted with the above changes.

72. QUESTIONS TO THE CHAIRMAN OF THE PENSION FUND INVESTMENT SUB-COMMITTEE COUNCILLOR ROGERS

Further to the request by the Board at the last meeting, Councillor Rogers the Chairman of both the Pension Fund Committee and the Pension Fund Investment Sub Committee, had accepted an invitation to attend and help answer questions previously raised by Board members regarding issues around investments.

To aid understanding, the session commenced with a power-point slide show titled ‘Local Pension Board Investments presentation’ provided separately as Appendix 1 to these minutes.

Questions on Investment Strategy and Access Polling and issues raised in discussion included:

- How would the new Access Pooling arrangements affect the investment strategy going forward? It was explained that there would

now be a manager who would manage the combined assets in the Pool but that the Fund would still make the strategic asset allocation decision.

- The Chairman's view on the Access Pool set up arrangements was to express frustration at the length of time it had taken to establish the Administration Support Team.
- A question was raised regarding the cost of the above team (£250k) and whether it represented value for money. In reply it was explained that the pool was now the biggest in the Country with approximately £10 billion in liquid assets plus a further £10 billion in passive equities and while it had taken time to establish the Team, it was a very small team in terms of the value of the Fund.
- In response to a question on who set the Fund's benchmark this was the Investment Sub-Committee (ISC).
- A Member explained that he understood variations from year to year due to market fluctuations, but the reason for the original explanation request was due to the 10 year figures showing the Fund being in the bottom quartile for investment performance as set out in the Annual Report. He suggested that if the figures over a longer period were less than meaningful, perhaps there should be a note to this effect in the Annual Report. The Chairman of the ISC acknowledged that the 10 year performance of the Fund's investments had not been good, but that both Dodge and Cox and Jo Hambro had performed reasonably well and the further changes made the previous day were expected to improve performance going forward.
- In terms of a question on why the Cambridgeshire Pension Fund did not have an independent investment advisor, Councillor Rogers explained that the Cambridgeshire Fund had not felt it previously needed an independent investment advisor due to the collective skills of the Committee, including Councillor Hickford, a Financial Conduct Authority (FCA) .regulated financial advisor. However, now that Councillor Hickford had stepped down from the Committee and Investment Sub-Committee, Councillor Rogers acknowledged that the position would need to be reviewed and could be revisited in due course.
- In that there were quarterly reports on Strategic allocations, Councillor Rogers invited Board Members to attend future Committee and ISC meetings to help gain a better understanding.
- In terms of the ACCESS Joint Committee attendance being only councillors of the administering body for the whole meeting with other Board Members only be able to attend the public part of the meeting, Councillor Rogers was asked his opinion of this arrangement. In response he indicated that he was more than happy for the Board to be allowed to attend the whole of the meeting, but that was not a shared view of the other Chairmen. Their view was that with the number of members and officers already attending, this could be potentially unwieldy. The Chairman Councillor King clarified that the Board Members were not asking to participate, but to be able to observe the whole meeting. **The Chairman asked that the Board should be sent the dates of Committee and ISC meetings and also the Access Joint Committee. Action: Democratic Services.**

In summing up the Chairman thanked Councillor Rogers and the Head of Pensions for what had been a very useful and informative session.

73. ADMINISTRATION PERFORMANCE REPORT

This report brought to each Board meeting set out a number of the key areas of administration performance for consideration by the Board to assist the Committee in ensuring effective and efficient governance and administration of the Pension Fund.

The table in Appendix 1 to the report provided:

- an update of the Fund Account, investment and administration income and expenditure against the cash flow projection outlined in the Business Plan agreed by the Pension Committee in March 2018.
- 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 October 2017 to 30 November 2018.

Section 2.4 of the report set out details of large overpayments that had been identified and the action being taken.

Details of late paying employers for August, September, October and November 2018 were set out in the confidential appendix 2 of the report.

Issues highlighted in discussion included:

- In terms of the key performance indicators for the period 1st September to 31st December, the Fund had met all its targets with detail surrounding the performance of the Service included in Appendix 1 to the report. The amber rating on the key performance indicator in November for providing a maximum of one estimate benefits to employees per year on request, was an area with low volume and had been addressed as a training issue.
- Page 53 Confidential Appendix – one employer, as identified, had provided late payments for September and October but not for November or for December. The position going forward was being monitored.

Questions raised included:

- Asking why there was no reference to underpayments in the report. It was explained that underpayments tended to be highlighted as a result of project work and would be reported in the Data Improvement Plan Update.
- Concern was expressed by the Vice Chairman that on page 50 the note suggested that there had been an increase in the Fund's share of Access costs from £30k to £130k. This related to governance costs

arising from the complexity of the arrangements and factors such as the need for additional legal advice. It was explained that £330k was the overall cost that would then be divided between the 11 authorities and that this very small team would help achieve hundreds of thousands of savings going forward.

The report was noted.

74. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2018-19

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

Attention was drawn to Paragraph 2.1.3 'Implement Additional Posts to the Structure' with an oral update that the Communications Officer Post had been interviewed the previous day and that an appointment was expected to be made.

In terms of the Legal Services procurement, this was still ongoing to allow for the new framework refresh and launch. There was still ongoing discussions regarding the approach to be taken and the intention was that the Pension Committee would be advised of the preferred approach at their March 2019 meeting with this Board being provide with an update at the May meeting.

In discussion issues raised included:

- Page 59 paragraph 2.3 – CSEM1 Employment covenant monitoring – there was a request for an explanation of what this meant. This was to ascertain how strong an employer was financially.
- Page 60 CSEM3 Promotion of Member Self Service – whether the figure of 25% of active and deferred membership taking up the service facility was good compared to other Funds and whether further action was needed to improve the figure. In response it was explained that the figure was common across Funds as it was not something that members checked regularly, in the same way they might, for example their bank account. This was seen as one area that the appointment of the Communications Manager could make a difference to. **Action There was a request that there should be a regular update in future Reports.**
- Page 62 Ops 2 Establish ESCROW account for 'out of scheme payments' - a question on how much was in it. Currently there was very little, as while the Fund was required to hold an account for potential unauthorised payments, the only reason it was required was for death grant payments of which there were very few.
- Page 63 Para 2.51 - Local Direct Investment – as an update, it was reported that a preferred manager to create a bespoke local investment fund for the Cambridgeshire Fund had been identified the previous day. In respect of this appointment, Councillor Payne highlighted the need to ensure transparency in investment decisions recommended / made and any relevant relationships that could have

J Walton

ramifications if not disclosed. He highlighted for example the potential for a conflict of interest should any company being recommended have a chairman or board member who was also, for example, a County Councillor.

There was a discussion regarding the above and whether investing in local firms in another County via ACCESS Pooling e.g. say Norfolk, would negate this as an issue. On the view that a Fund should not invest in its own area, there were many examples where investments locally had been very successful and also in terms of attractive investment opportunities, there were likely to be far more within Cambridgeshire. It was explained that the manager appointed would be completely independent and be able to make decisions on a wide range of companies.

It was resolved to:

Note the Pension Fund Business Plan Update.

75. GOVERNANCE AND COMPLIANCE REPORT

This report provided information on:

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

Issues particularly highlighted in the officer introduction included:

- LGPS (Miscellaneous Amendment) Regulations 2018 - 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 which had been back dated to 17 April 2018.
 - Regulation 5 – providing 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.

Scheme Members were be informed of these changes in line with disclosure requirements. Both changes would be a significant extra administrative burden on the Service.

Scheme Advisory Board SAB- Cost Management Process Cost – A review of the public service pension scheme wide cost cap on future service costs was being undertaken. Most public service pension schemes would be

below the cap. As the target cost for future accrual was 19.5% and was currently 0.5% cheaper than it should be, the Scheme Advisory Board agreed recommendations to return the total cost back to the target with the detail set out in paragraphs 3.1.5. – 3.1.6. These had been forwarded to the Secretary of State. Since then, a Ministerial Statement had announced a pause in the cost cap process pending the outcome of the appeal of the McCloud case to the Supreme Court. If McCloud was upheld, the LGPS could be required to make further changes and these would need to be taken into account in a revised Scheme Advisory Board cost cap result. The outcome of the appeal might not be known until late 2019 or early 2020. Other paragraphs detailed the implications. The Board would be kept up to date with developments.

Section 3.2 set out details of the Government and Actuary Department's review on the treatment of academies within the Local Government Pension Scheme.

Paragraph 3.5 detailed progress on the Separation of Pension Funds from the Host Authority to reduce potential conflicts. The terminology had now changed since the report was written, with 'governance review' and not 'separation' now the correct term to use.

Paragraph 4.3 Mandatory Annual Scheme Return set out the details of the submitted Fund data scores.

The officer was thanked for an excellent report with very clear explanation.

The report was noted.

74. DATA IMPROVEMENT PROGRESS REPORT

A Data Improvement Policy and a Data Improvement Plan had been established to demonstrate to the Pensions Regulator that the Fund reviewed the quality of its data. This report presented an update on progress made against the Pension Fund Data Improvement Plan with the intention that an update would be reported to every meeting. A summary of the items on the Data Improvement Plan were set out in appendix 1 to the report.

Key issues highlighted included:

Resolution of unprocessed leaver records – an update was set out in paragraph 2.1. From the baseline position, 816 unprocessed leaver cases had now been completed.

Contracted-out liabilities reconciliation - To compare contracted-out liabilities held on scheme records with that held by Her Majesty's Revenue and Customs (HMRC). The reconciliation stage of this activity required to be completed by 31 December 2018. Details were provided indicating that the data reconciled with HMRC might result in 382 underpaid and 630 overpaid pension records. Where data was different from HMRC, this would generally result in an overpayment resulting from an inaccurate application of Guaranteed Minimum Pension (GMP) and should be written

off, the approach taken by most public service pension schemes. A report would be going to the Pension Fund Committee in March to ask for approval for ITM to undertake the next stage of the project due to the volume of work involved.

Pensioner Payroll v Pensions Administration Reconciliation and Rectification

This set out the progress on the number of underpayment cases to be processed and provided details of the overpayment cases and the progress against them. Many of the overpayments were as a result of the incorrect application of GMP. Since the reports publication, the number of underpayments to be processed had fallen from 85 to 82 with the expectation that some of these would prove to have been correctly paid.

A question was raised regarding whether there was a percentage of overpayments that were not collected. This only applied for any under £100, or in the case of a death £250, otherwise it was business as usual to pursue and collect all overpayments. Revisions of the thresholds were undertaken at regular review periods. Any disputes arising from an overpayment were assessed on a case by case basis.

The report was noted

75. RISK STRATEGY AND RISK REGISTER

The current Risk Strategy was approved in March 2016 and the current Risk Register was approved on 20 October 2016. It was deemed appropriate to review both documents to ensure risks and approach to risks remain relevant and manageable and to make any recommendations for any changes on to the March Committee.

The reviewed Risk Strategy was set out in appendix 1 of the report having been strengthened to support the risk analysis section. The impact and likelihood assessments now included more detailed explanations of how the risk analysis should be undertaken. The revised risk register was set out in appendix 2 of this report, the main changes to the register listed in Section 3 of the report:

- Reduction of risks from 54 to 25 – to be more concise and high level with the detail encompassed in the controls to allow for easier monitoring;
- Not split into service areas as in the previous version with each risk now having a responsible lead to demonstrate accountability;
- Risks were 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
- Providing a summary sheet designed to allow for an overview of the risks which showed priority, risk rating with Red, Amber, Green, (RAG) status, the responsible lead and associated objectives.

Following approval the intention was to provide this Board with a monitoring report on a quarterly basis with the Pension Fund Committee receiving updates bi-annually to include any comments from the Local Pension Board. Both to have a focus on any red and amber risks.

In discussion there was a request that future reports should be provided with appropriate initials rather than colours as the agenda was printed in black and white.

**M Oaken-
sen**

It was resolved:

To note the report and endorse the Strategy and Register as set out without any material changes.

76. LOCAL PENSION BOARD EFFECTIVENESS REVIEW

The Chairman agreed to take this report as the next item of business as one of the board members needed to leave by 12 noon.

The need to regularly review the effectiveness of the Cambridgeshire Local Pension Board was considered good governance. In addition to the annual self-review, Aon (Senior Public Sector Benefits and Governance Consultants) had been commissioned to conduct an impartial review. The Board were invited to review the report and engage in discussion to determine a plan of action to address the recommendations made.

The purpose of the review had been to establish whether, based on Aon's observations, the Local Pension Board was fulfilling its role to support the Administering Authority in meeting its regulatory requirements. Sixteen key areas were reviewed under the categories of governance structure, knowledge and skills and behaviour. The findings were summarised in the tables in section 2.1 of the report. There were no negatives arising from the review, with the report concluding that the Board undertook its roles and responsibilities in an effective manner with its Members engaged and overall showing good participation.

The following areas were recommended by Aon as suggestions to improve the effectiveness of the Board with the detail set out in appendix one to the report.

- Scheme of Delegation
- Link between the Pension Committee and Pension Board
- Key Performance Indicators
- Reviewing Breaches
- Demonstrating Training taking place
- Training discussions
- Board member questions/challenge

As part of the oral presentation they noted that steps had already been taken to provide closer links with the Committee through having the Pension Committee minutes included on the agenda and having a slot on the current agenda to discuss finance issues with the Pension Fund Committee Chairman. They suggested this was a good innovation that could be utilised for other future Board meetings to provide a training element to the meeting. *(Note: as a public meeting any training element should be undertaken either before or after the meeting)*

It was resolved:

That a further report should be presented to the Board meeting in May with the formalised plan responding to the review recommendations.

77. INTERNAL DISPUTE RESOLUTION PROCEDURE

This report presented an outline of the working of the four stage Internal Dispute Resolution Procedure to the Pension Board with the detail as set out in the report and the appendix.

In discussion:

- As a response to a query on whether regular update reports on the number of complaints received were submitted to the Board or to the Committee, it was clarified that currently this information was only included as part of an annual report.
 - It was explained that adjudication at Stage 1 prevented many of the disputes going further, as some were misinterpretations of the regulations rather than officers doing something incorrectly.
 - A question was raised on whether there was a feel for how many complaints there were. As already indicated this information was included in the Annual Report, but it was a low number. It was overpayments that tended to generate disputes due to the need to claw back the overpayment sum.
 - In reply to an enquiry regarding how much work would be involved in including details in the Performance Report, **officers agreed they could provide the number of cases in future Reports.**
- Action**

**M
Oakensen**

The report was noted.

78. VALUATION OF THE PENSION FUND

This report provided a brief update on the Pension Fund Valuation which was to be calculated on the 31st March. It provided information covering:

- Communication and engagement with employers,
- Pre-valuation activities including details on:
 - data reconciliation,

- updating of the Employer Database and Employer Risk Register,
 - an outline proposal for the analysis of two the two key assumptions (discount rate and long term future salary increases) As the next Pension Committee would be looking at these key assumptions. The Board was invited to attend the meeting. **Action: Democratic Services were asked to check whether the Board currently received the Papers for the Pension Fund Committee as a link.**
- the application of the Hymans Robertson Asset Tracker and the current planning and preparation activity.
 - The training day held for officers and members of the Pension Committee and Local Pension Board on 12 September.
 - Potential disaggregation of the two employer pools. (Small Admitted Bodies Pool and a Designating Bodies Pool). These were originally created to protect small organisations from large shocks such as ill health retirement and the death of an active member. Since being set up, alternative arrangements had been put in place for managing the risk associated with ill health retirements. As a result, the appropriateness of continuing this pooling arrangement was being reviewed, and consultation on the proposal would be undertaken with the employers.

The Board noted the Valuation Update.

79. EXCLUSION OF PRESS AND PUBLIC

It was resolved to:

Exclude the press and public from the meeting for the following items of business on the grounds that they contained 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 the financial or business affairs of any particular person (including the authority holding that information)).

80. ACCESS ASSET POOLING UPDATE

This report updated the Board on ACCESS Asset Pooling and key issues from the meeting of the ACCESS Joint Committee on 10th December including:

- Discussion on the issue of Local Pension Board/scheme member representation on the Joint Committee.
- Approving delegated powers to implement decisions in respect of the business plan and budget approved by the AJC to the relevant officer or Council, in consultation with the Chair.

- A general update being provided by Hymans which considered asset pooling progress and challenges. In this section the Chairman fed back to the AJC in regard to his meeting with the Minister.
- In recognition of the unique nature of the asset pooling agenda, it was agreed to review the adequacy of the Inter Authority Agreement, revise the governance manual and develop training material.
- Approval to an ACCESS communications plan
- On the creation of an ACCESS Support Unit, a contract Manager had now been appointed.
- Agreeing to receive a report collating the status of each Funds' Responsible Investment Policies with a view to considering whether a joint policy for ACCESS would be appropriate.
- Receiving information regarding a consultation from the Ministry of Housing Communities and Local Government on proposed new statutory guidance on LGPS asset pooling. MHCLG have invited views from interested parties, including Local Pension Boards.

Regarding the above consultation response, as a draft was not available for the February meeting cycle, it was recommended that a draft response should be circulated to the Board and Committee for input and the final version to be approved by the Chairmen of the Pension Fund Committee and Local Pension Fund Board. A change was required to the delegation recommendation set out in the report to make the delegation to the Head of Pensions rather than the Investment and Accounting Manager. In discussion the Board agreed the delegation should be extended to include the Board Vice Chairman. **Action:** Mark Whitby

It was resolved to note:

- 1 the asset pooling update;
- 2 the exempt minutes attached to the confidential report from the ACCESS Joint Committee meeting of the 19th September 2018;
- 3 the consultation on asset pooling and approve the delegation the of the final version to the Head of Pensions in consultation with the Chairman and Vice Chairman of the Local Pension Board, to be subsequently circulated to all Board Members.

81. FORWARD AGENDA PLAN

The latest Forward agenda plan was noted subject to the inclusion of items identified in the course of the meeting.

82. DATE OF NEXT MEETING – FRIDAY 3RD MAY 2019

Chairman 3rd May 2019

Local Pension Board Investments Presentation

15 February 2019

19 October Local Pension Board meeting

- **Understand reference made to the Local Authority Universe**
- **Chairman's question as to measures being taken to improve performance.**
- **Are allocations to particular classes still appropriate.**
- **What is the role of asset pooling.**
- **Independent Adviser**

Local Authority Universe [LAU]

Investment Performance 2016-2017

Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2017							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2016-2017	1 year	24.5	23.7	2.3	2.4	21.4	3 rd
2014-2017	3 years	10.9	12.0	0.9	2.9	11.2	53 rd
2012-2017	5 years	11.0	11.4	1.4	1.9	10.7	29 th
2007-2017	10 years	6.5	7.3	2.3	2.0	7.0	70 th

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).

Investment Performance 2017-2018

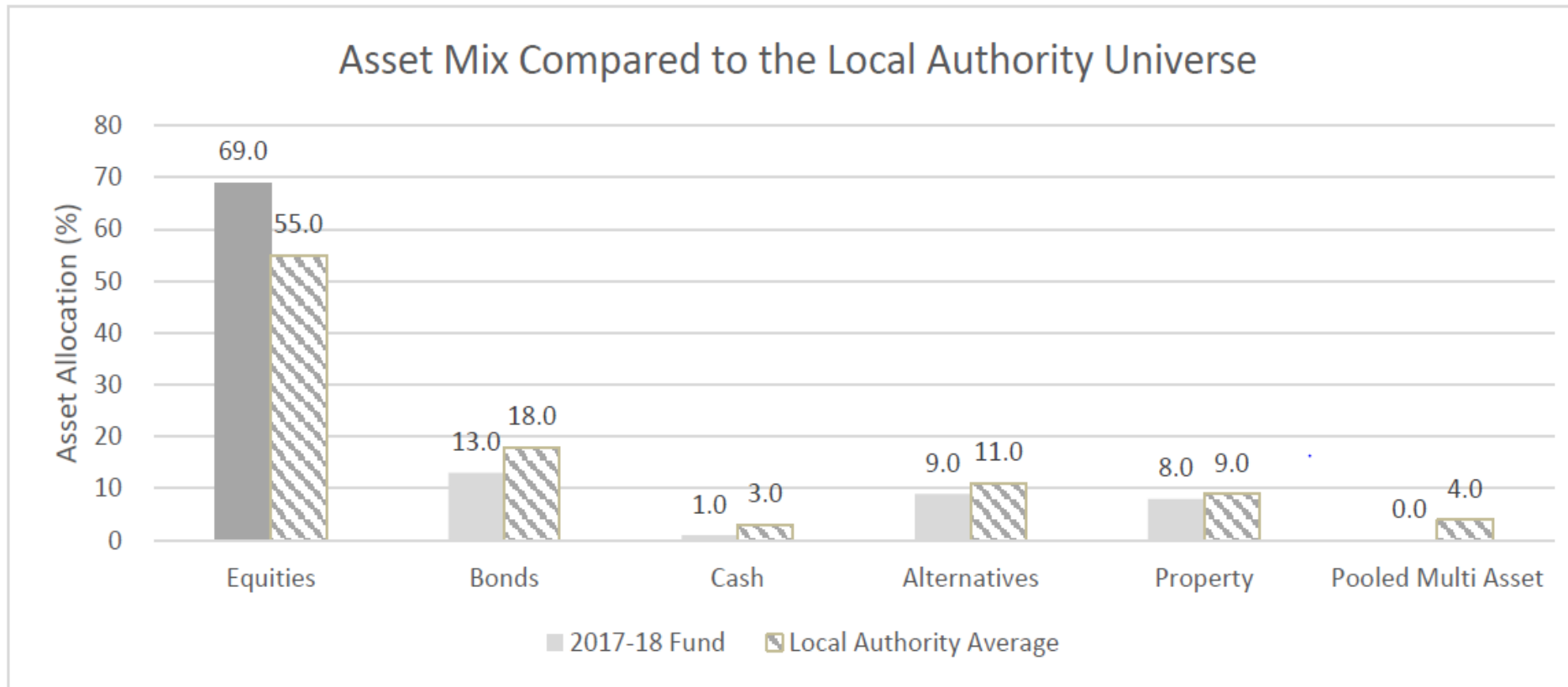
Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2018							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2017-2018	1 year	2.5	3.0	2.5	2.8	4.5	83 rd
2015-2018	3 years	7.8	8.5	1.7	2.3	8.3	46 th
2013-2018	5 years	8.5	9.2	1.4	2.1	8.8	49 th
2008-2018	10 years	7.0	8.1	2.3	1.9	7.7	73 rd

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).
Performance figures are net of fees.

- The Universe provides benchmarking for comparative purposes.
- Performance swings are common, especially with high conviction equity strategies
- Comparison to CPI useful information
- Reports on Fund asset allocations to LAU received annually
- Referenced in Strategic Asset Allocation Review discussions

Local Authority Universe



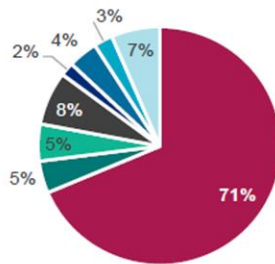
Strategy
Review
informed
by LAU

The graph shows that the Fund has higher than average equity exposure, and this overweight increased over the year as other funds reduced their exposure to this area.

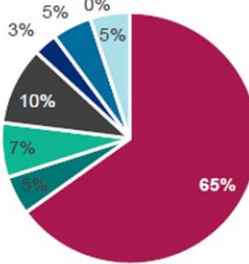
Local Authority Universe

RISK MANAGEMENT FRAMEWORK ASSET ALLOCATION

Current Portfolio –
30 September 2018

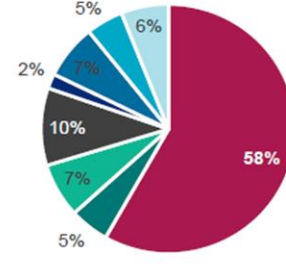


Strategic Allocation



Analysis based on this allocation to show what is possible with the suggested diversified portfolio

Strategic Allocation –
Allowing for Alternatives*



Equity	71%	65%	58%
Gilts	5%	5%	5%
Absolute Return FI	5%	7%	7%
Property	8%	10%	10%
Loans	2%	3%	2%
Private Equity	4%	5%	7%
Local Investing	3%	0%	5%
Infrastructure	7%	5%	6%

* Defined by Officers in paragraph 5.7 of Investment Strategy Review paper dated 22 November 2018

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4

Current strategy review closes the gap as the Fund moves to greater diversification from listed equities.

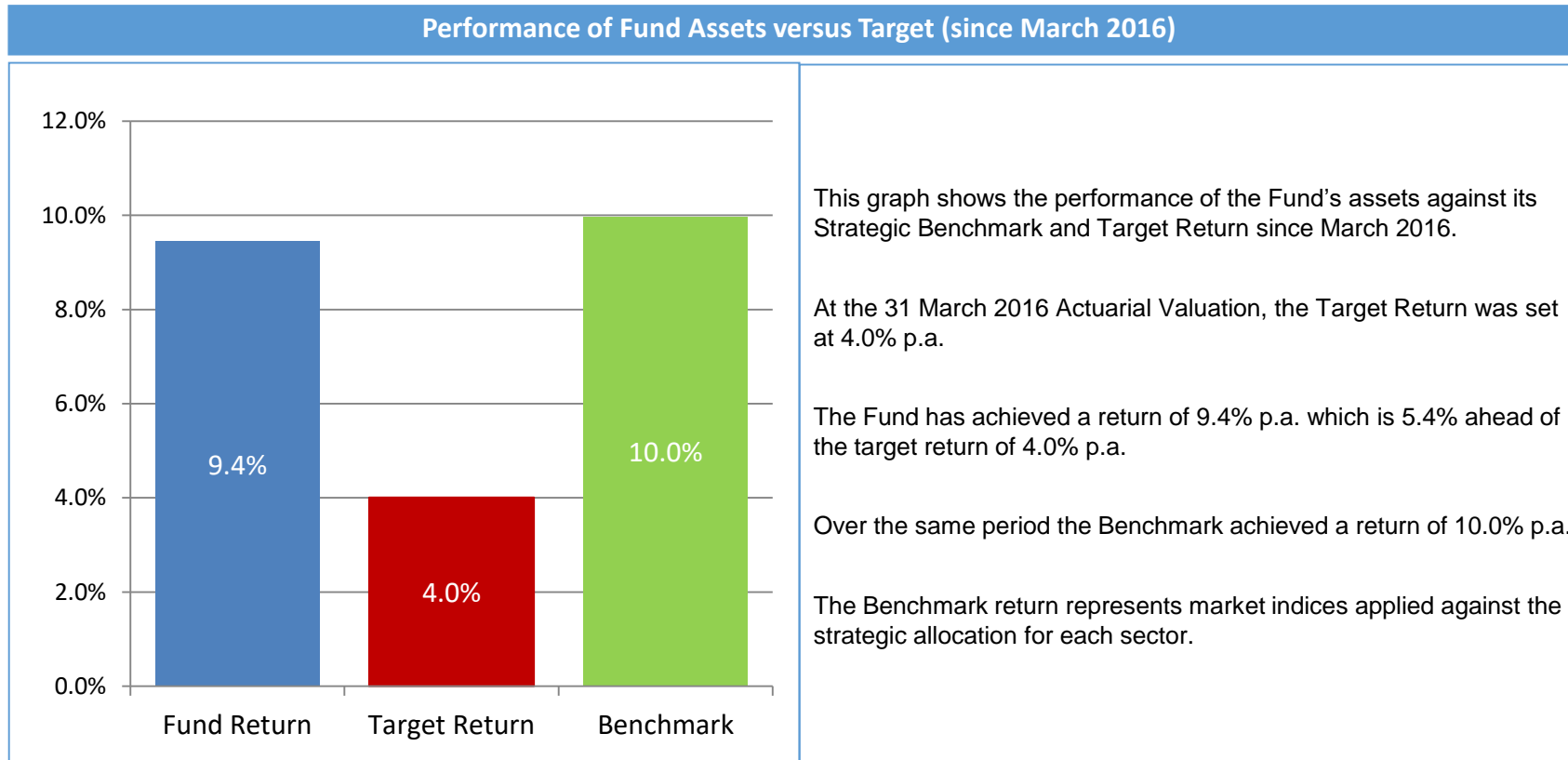
Current Strategic Allocation		Proposed Strategic Allocation
65%	Equities	58%
12%	Fixed Income	12%
10%	Property	10%
13%	Alternatives	20%

Outperforming Investments 😊

Key Focus
To deliver
target
return.

No single
right
answer

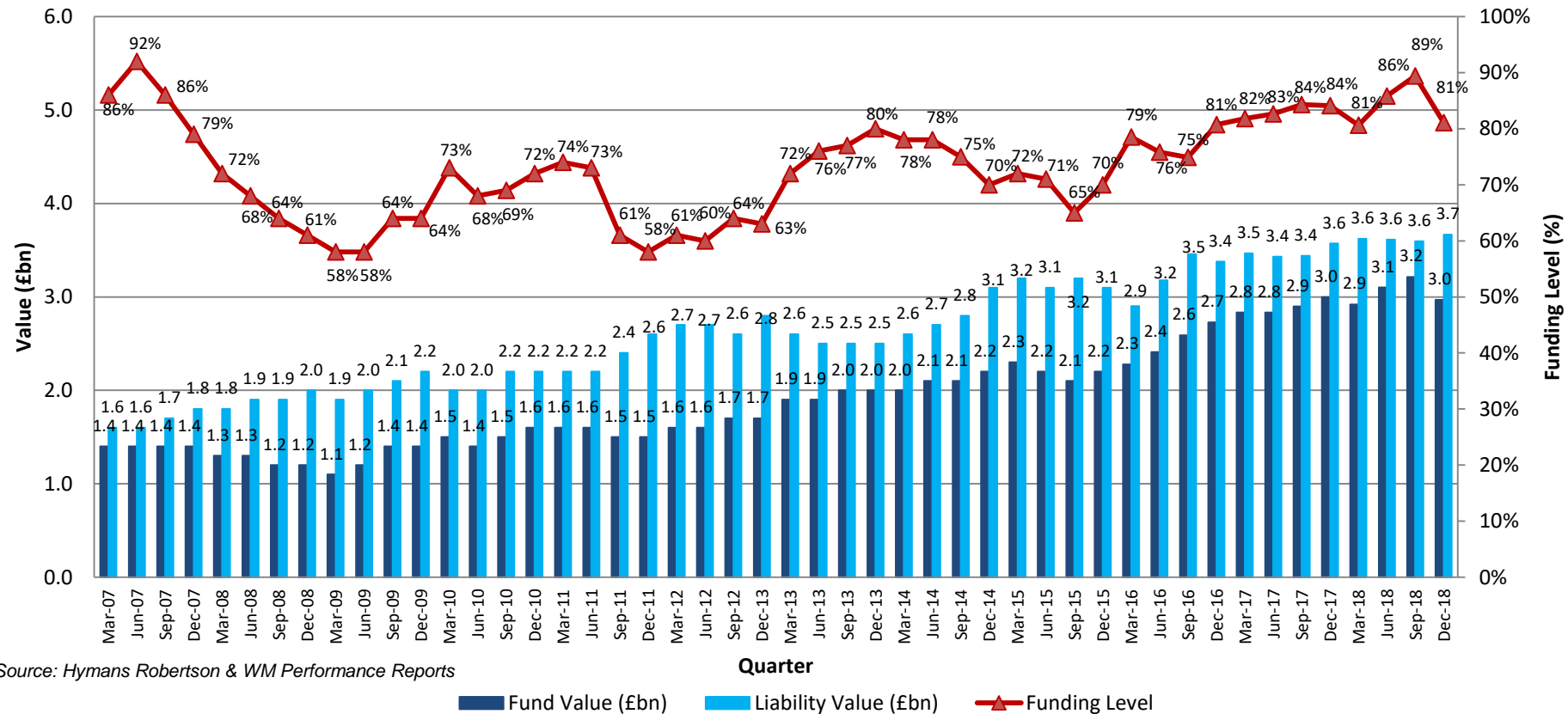
Big picture
focus



Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Thomas Reuters Datastream Performance data to 31 December 2018.

Historic Funding Levels

Funding Level since March 2007 Valuation



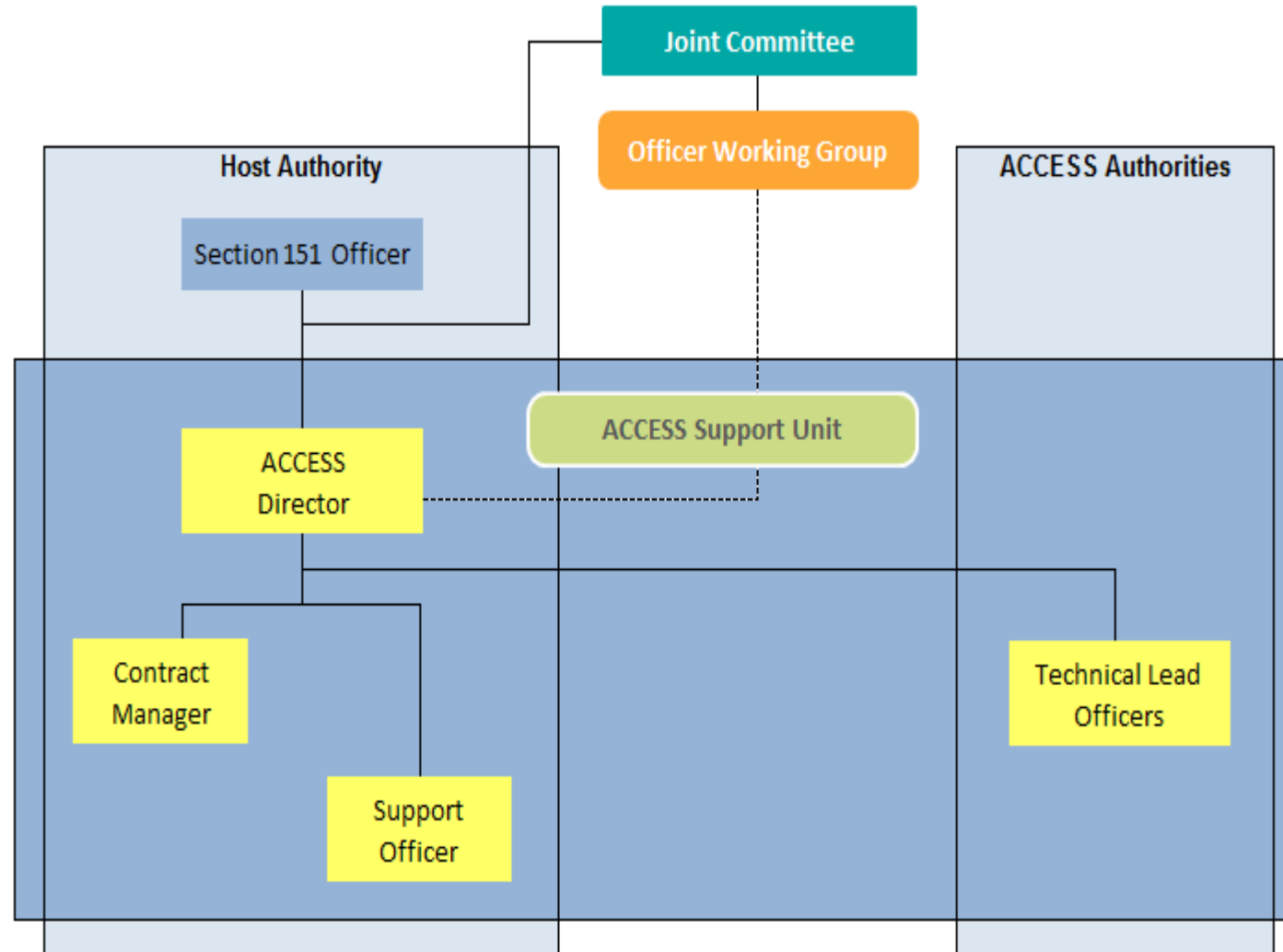
Source: Hymans Robertson & WM Performance Reports

There has been a general trend over the period shown (i.e. from 2007) of falling gilt yields, which has increased the value placed on liabilities. Assets have produced strong returns in general too, but not high enough over a sustained period to keep pace with the rising value of liabilities. There was an increase in funding level at the March 2016 valuation as actual experience was reassessed against assumptions made at the 2013 valuation. Post the 2016 valuation, gilt yields continued to fall, albeit this was reversed in mid-2016 when a rise in yields along with strong asset performance caused a rise in funding level to 81%. The funding level increased steadily over much of 2017 and 2018 due to strong returns, however, a sharp fall in equity markets over the final quarter of 2018 has lead to the funding level falling back down to 81%.

Asset Pooling

- A structure composed of an **FCA authorised Collective Investment Vehicle** (the Operator and ACS and other pooled investment vehicles to hold assets).
- A significant shift in governance arrangements with the **Operator responsible for selecting and contracting with managers** on behalf of the authorities participating in the pool.
- Preserving appropriate local decision making (including strategic asset allocation) and building into governance arrangements the critical role of elected members. A Joint Governance Committee established to hold the Operator to account – ensuring **democratic accountability** and exercising authority's **fiduciary responsibilities**.

Access Governance



Open Invitation

- **Local Pension board Members open invitation to attend:**
 - **Pension Committee meetings**
 - **Investment Sub Committee**
 - **Conferences and seminars**
 - **Information Days and other Training events**

Independent Investment Adviser

- **Statutory advice provided by Mercer Ltd**
- **Previous review undertaken in 2014**
- **Pension Committee determined**
 - **– no requirement for an independent adviser**
- **Refresh of current arrangement at Northamptonshire due January 2020**
- **Pension Committee Opportunity to review**

- **Any Questions**

Introduction:

This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Board to update Members on the progress on compliance in delivering the necessary actions.

This is the updated action log as at 24th April 2019.

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 19 October 2018						
61.	Pension Fund Annual Business Plan Update Report	Joanne Walton	There was a request for the Board to receive a more in depth paper on the measures being proposed to retain staff at its February meeting.		Completed – Pensions and Lifetime Savings Association report sent on 15 March 2019 as agreed at previous meeting.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
69.	ACCESS Asset Pooling Update	Tracy Pegram	<p>The Chairman of the Joint Committee had agreed to write to the Scheme Advisory Board outlining the Joint Committee's concerns regarding extending the membership.</p> <p>There was a query that the letter should be made available to the Board so that it could see the detail of the concerns.</p> <p>Should the letter be deemed confidential and not able to be released, the Board would require justification reasons.</p>	<p>The letter from the ACCESS Joint Committee (AJC) to the Scheme Advisory Board is to set out the AJC's justification for not extending its membership.</p> <p>A copy of the letter is to be circulated to the Local Pension Board members when available.</p>	Ongoing - The closing date for consultation responses was the 28 th March 2019, and feedback is pending.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 15 February 2019						
72.	Questions to the Chairman of the Pension Fund Investment Sub-Committee Councillor Rogers	Democratic Services	The Chairman has requested for dates of the Committee, Investment Sub-Committee (ISC) and Access Joint Committee to be circulated to members of the Board.	<p>The dates of the Pension Fund Committee and the ISC have been circulated.</p> <p>The future dates of the Access Joint Committee were being pursued.</p>	Ongoing	

Minute	Report Title	Action for	Action	Comments	Status	Due date
74.	Pension Fund Annual Business Plan Update Report 2018-19	Joanne Walton	Member Self-Service updates to be reported back to the Board when the Communications Manager has initiated further development in this area.	A new Communications Officer has been appointed and currently being inducted into the service. One of their objectives will be to promote use of the self-service facility and promotional activities will be included within the communication plan for the year	Ongoing	
75.	Risk Strategy and Risk Register	Michelle Oakensen	A request that future reports are to be provided with appropriate initials instead of colours.		Noted.	
77.	Internal Dispute Resolution Procedure (IRDP)	Michelle Oakensen	A request was made that IDRP totals were reported on in the Administration Report going forward.		Completed – Included in the Administration Report for this meeting.	
78.	Valuation of the Pension Fund	Democratic Services	Were asked to check whether the Board currently received the papers for the Pension Fund Committee as a link.	For the March Committee the Board Members were sent an e-mail with a link to the Committee papers.	Ongoing	

Minute	Report Title	Action for	Action	Comments	Status	Due date
80.	Access Asset Pooling Update - Consultation from the Ministry of Housing Communities and Local Government on proposed new statutory guidance on LGPS asset pooling.	Mark Whitby	That a draft response should be circulated to the Board and Committee for input and the final version to be approved by Head of Pensions in consultation with the Chairmen and Vice Chairman of the Pension Fund Committee and Local Pension Fund Board.	Update information on the status of the final response to be orally reported		

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 28th March 2019

Time: 10.00-13.25

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors I Gardener, A Hay, T Rogers (Chairman) and M Shellens; Councillor R Robertson, and J Walker

Officers: C Blose, D Cave, S Heywood, M Oakensen, P Tysoe, J Walton and M Whitby

Observers: Councillor S King and D Brooks

Apologies: Councillors D Seaton and J Schumann

113. 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 P Downes declared an interest as a retired member of the scheme.

Lee Phanco declared an interest as a member of an LGPS scheme (not the Cambridgeshire Fund) and as a Director of the Cambridge Sports Hall Trust.

114. MINUTES AND ACTION LOG OF THE PENSION FUND COMMITTEE MEETING HELD ON 13th DECEMBER 2018

The minutes of the Pension Fund Committee meeting held on 13th December 2018 were approved as a correct record and were signed by the Chairman. Councillor Downes requested that his apologies be noted retrospectively.

With regard to the first action on page 2 of the minutes, it was agreed that a response would be sent out. **Action required.**

The Committee noted the Action Log.

115. PETITIONS AND PUBLIC QUESTIONS

There were none.

The Chairman advised that he had received a question from Dr Smith, who was unable to attend the meeting, asking the Committee to re-examine its Environmental, Social and Governance (ESG) Policy. The Chairman had asked officers to draft a response, which would in turn be shared with Committee Members. **Action required.**

116. APPOINTMENT OF VICE CHAIRMAN/WOMAN

Councillor Gardener had recently replaced Councillor Hickford as a member of the Pension Fund Committee. As Councillor Hickford had been Vice-Chairman, a replacement was sought. The appointee would also automatically become the Vice Chairman of the Investment Sub-Committee.

Councillor Rogers nominated Councillor Gardener, and this was seconded by Councillor Hay. There being no further nominations, Councillor Gardener was appointed as Vice-Chairman.

117. EXTERNAL AUDIT PLAN YEAR ENDED 31ST MARCH 2019 CAMBRIDGESHIRE PENSION FUND

The Committee considered a presentation from Ernst & Young on their audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31st March 2019.

Mark Hodgson, Associate Partner at Ernst & Young (EY), the Fund's new External Auditors, was welcomed to the meeting. Members noted the overview of the Audit Strategy, proposed timeline for delivery of the audit work and the risks associated with the audit process. To date Audit Reports had been very positive, reflecting the good work of the Pensions team.

Mr Hodgson explained that the audit work was split in to four categories:

- (1) Fraud risks, such as the potential for management to override controls and manipulate accounting records;
- (2) Significant risks which were material and likely to happen – the investment in Cambridge & Counties Bank, was judged to be unusual, and required greater scrutiny;
- (3) Inherent risks that were likely to happen;
- (4) Inherent risks that were unlikely to happen.

Mr Hodgson outlined how the EY Audit team aimed to get sufficient assurance in the areas of potential risk identified.

Planning materiality was set at £29.69M (1% of the prior year's net assets), and anything below that threshold could be regarded as a clean audit. However, EY would be reporting on any audit differences i.e. all uncorrected misstatements totalling £1.4M.

It was noted that EY were also the auditor for Cambridgeshire County Council, and both audits needed to be completed by 31/07/19. In terms of fees, these were set by the Public Sector Audit Appointments Ltd (PSAA). However, in addition there would be a fee relating to the significant risk identified relating to Cambridge & Counties Bank, requiring additional, specialist input. It was noted that the Fund employed its own independent professional valuer, Grant Thornton, to assess the valuation of the Cambridge & Counties Bank. Mr Hodgson commented that Grant Thornton's valuation would be based on

reviewing data from Cambridge & Counties Bank, whilst the EY team would be reviewing those individual inputs to make sure they were comfortable with them. Both Grant Thornton and EY would ascertain a valuation range, and there would only be an issue if those ranges were significantly different. In relation to the valuation of Cambridge & Counties Bank, it was noted that the value as at 31/12/18 would be used, but by July the 30/06/19 valuation would also be available, and significant differences between those valuations, indicating volatility, could be a concern.

Arising from the presentation:

- Members noted the risk area of focus under Pension Liability Assumptions that *“...membership data and cash flows provided to the actuary... may not be correct”*. Mr Hodgson confirmed that the Actuary depended on correct data inputs, so the audit team would check that the datasets provided to the Actuary by the Pension Fund accountancy team were accurate. Officers advised that the team ran a number of year end processes, and this data was provided by scheme employers. The process was fairly standard, with little scope for the information to be extracted incorrectly;
- it was confirmed that there was a very strict timetable set for local government for completion of accounts by the end of July;
- with regard to complex investments, it was confirmed that the Custodian attempted to give six monthly valuations to accurately reflect current values;
- a Member queried the reference to “journal postings” in the section on Fraud Risk. Mr Hodgson explained how this related to the potential scope for error in the transition process from one data source to another, which in practice was unlikely;
- a Member asked why the ACCESS pooling arrangements were not specifically listed in the section on audit risks and areas of focus. Mr Hodgson advised that from an audit perspective, moving investments in to the pool was effectively just moving investments from one manager to a bigger investment manager: the process was the same, but the money was being invested by a different organisation. The Chairman commented that as the Fund’s representative on the ACCESS Committee, he did have some concerns about the way ACCESS was being audited, and he hoped that this could be addressed internally prior to the external audit;
- Members queried the relationship between internal and external audit processes. Mr Hodgson outlined the relationships between the two different teams, but stressed that his team would not be relying on the work produced by Internal Audit or the controls within the financial systems.

The Chairman thanked Mr Hodgson, and commented that he found the Audit Plan and Strategy interesting reading, and easy to follow, and he hoped the Fund could meet all of the auditors’ requirements. He noted that the initial audit work and relationships with officers had gone very well.

It was resolved to note the presentation.

118. INTERNAL AUDIT REPORT 2018-19

The Committee considered the findings of Internal Audit work during 2018-19. The Head of Internal Audit outlined the relationship and process between internal and external audit functions. Internal Audit focuses primarily on systems of control and administrative processes. The findings from both audit teams feed in to each other.

Members were pleased to note that the findings of the Internal Audit work for 2018-19 was that substantial assurance had been given for both the control environment in place, and for compliance. The Head of Internal Audit commented that it was unusual to give substantial assurance on both aspects.

Arising from the report:

- a Member noted that with reference to Employer and Employee Contribution Reconciliations and the Review of Suspended Pensioners, both of which had specific recommendations in the 2017-18 Internal Audit, the report stated *“previous recommendations had not been fully completed”*, and no timescales for completion had been given. She asked officers if they were confident that these actions would be completed, as she was uncomfortable with the lack of an identifiable completion date. The Head of Internal Audit advised that it was not necessary to give a target date, as the Internal Audit team was comfortable with the pace of the process, but would be keeping these recommendations under review. The Pension team were progressing these issues as quickly as circumstances would allow, and it was unusual for the Internal Audit team to specify target dates;
- a Member queried the detailed finding relating to pension payments being paid at the correct amount with the correct rate of annual increase, specifically the statement *“... no evidence had been retained to support the checks undertaken by Pensions to provide assurance that the uplift had been actioned accurately”*. Officers advised that the evidence was within the pensions payroll itself, i.e. the correct uplifts had been applied. However, evidence had not been retained, and this would be done in future. The Head of Internal Audit confirmed this point, that it was judged to be a minor control point that there was no documentary evidence, but there was sufficient evidence regarding the accuracy of uplifts in the pension payroll itself;
- it was noted that “suspended pensions” related to cases where, for example, it was believed that a pensioner had passed away, but this had not been formally corroborated. This issue should be resolved when the mortality screening service was in place, later in the year;
- a Member queried the one outstanding employer, with respect to Employer and Employee Contribution Reconciliations, which was a recommendation from the 2017-18 Audit review. The Head of Internal Audit agreed to provide that information outside of the meeting. **Action required.** Officers confirmed that all contribution repayments were currently coming through at 100%. It was noted that the differentials often related to what was expected from an employer and what was paid, and often the sums could not be reconciled due to e.g. a change of info, refunds netted off, etc;

- with regard to “unfinished data”, a Member asked officers how accurate they believed the Pension team’s data was. Officers advised that a Data Improvement Plan was in place to increase the accuracy of data.

It was resolved to note the Internal Audit work during 2018-19.

With the Committee’s agreement, it was agreed to change the order of agenda so that the Valuation of fund update item could be considered next.

119. 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.

120. VALUATION OF FUND UPDATE

Douglas Green of Hymans Robertson, the Fund’s Actuary, gave an update on current actions, and an overview of the timeline moving forward.

It was resolved to:

1. note the valuation update;
2. approve the recommendation for setting the main financial assumptions to be used for the Pension Fund valuation, as set out in paragraph 3.5 of the report;
3. approve the process to be used for setting contribution rates for the large Scheduled Bodies in the Fund, as set out in paragraph 3.10, amended to 2% (from 1%) until 2020 in the short term and then revert to RPI less 0.5% after 2020.

The Committee returned to public session.

121. ANNUAL BUSINESS PLAN REPORT

Members considered the Pension Fund Business Plan Update for the period ending 28th February 2019.

It was confirmed that everything was on track in Quarter 4 except for the payroll reconciliation, which had slipped by one week.

A Member noted the statement that “no significant recruitment or retention issues” had been observed as at the end of February, but 10% of staff had left the team within eight months. Officers advised that this was not an issue, and was not unusual for either the industry or local authorities. They also advised that training new members of staff could

take up to six months, dependent on the role and prior experience. The fact that the Pensions team were employed by Northamptonshire County Council had not appeared to impact on recruitment or retention, as the team was funded entirely by the Pension Fund. A Member asked if the team operated an amortisation policy for training i.e. did staff have to pay their training costs back? Officers advised that this was only the case with external training costs e.g. professional qualifications.

Given the future of Northamptonshire County Council, it was noted that it had publically been proposed that a lead authority model be adopted. This would mean the ultimate responsibility for the LGSS pensions team would move to another authority, but scheme members, employers and the Committee would not be affected by this change. The Chairman asked officers to keep the Committee updated on this matter.

It was resolved to note the Pension Fund Business Plan Update for the period ending 28 February 2019 of the 2018-19 financial year.

122. ANNUAL BUSINESS PLAN AND MEDIUM TERM STRATEGY 2019-20 TO 2021-22

The Committee considered the Annual Business Plan and Medium Term Strategy which detailed the Fund's key areas of activity over the period 2018/19 to 2021/22.

Members noted that by approving the new Business Plan for the forthcoming financial year, they would also be granting approval for officers to progress with the activities set out within the Plan, including the financial implications of those activities. In terms of order of magnitude of the uplift, the figures were included where this information was available, but where 'non-business as usual' activities had not been procured, work had been undertaken to give a likely estimate, and the Committee would be kept updated of actual costs through the regular update reports.

Key activities in the Business Plan included:

- Procure a supplier of mortality screening and member tracing services and process results (GC2) – this had never been undertaken previously and the estimated cost was significant (£180K);
- Obtain proof of continued existence of scheme members residing overseas (GC3) – the exercise had previously been run, and it was proposed to repeat it every two years;
- Complete the Guaranteed Minimum Pension reconciliation project with rectification of members' records (GC7) – this project would external expertise, costing approximately £53K;
- Processing of undecided leavers (OPS1) – this was included in the Data Improvement and the proposal was to use Aon Hewitt to progress a tranche of those records. This cost would be offset by the staff underspend from 2018/19. Total costs were estimated at between £128K to £156K. The Actuary commented that this work would be helpful, and some Funds were not even reviewing this area.

Arising from the report:

- a Member queried the contract with Altair, which was due to expire in 2021. Officers explained that when initially procured, Altair was the only suitable provider in the marketplace, and was procured coterminously with the new Payroll platform. For the re-procurement, a full procurement exercise would be carried out;
- a Member noted that there was no reference to savings or efficiencies in the Business Plan, in a climate when local authorities were under pressure to find savings across the board. He asked when the Pension team last reviewed their administration costs, with a view to reducing costs? Officers advised that a report on Activity Based Costing had been considered by the Pension Fund Committee in 2018, demonstrating where savings had been made. Moreover, the activities of the pension funds had increased, due to regulatory requirements, data improvement initiatives and additional governance obligations. Against this background, staffing levels had not increased, and the ratio for number staff to scheme members had actually improved. Furthermore, no additional staff had been recruited to deal with the ACCESS project, which had been very resource intensive. The Chairman agreed on this point, and commented that whilst ACCESS was building up its own administration unit, significant work and professional expertise was still being input from pensions officers from across the member authorities, including the LGSS Pensions team. Authority had been given for additional staff to be recruited, but this had not been actioned to date. The Chairman thanked officers for all their hard work on the ACCESS arrangements;
- it was noted that measures were being examined to automate monthly data collection as far as possible, and it was agreed to circulate a report on this. **Action required;**
- a Member observed that management expenses did not appear to be declining with the introduction of ACCESS. Officers advised that securing the cheapest fees was not necessarily the main benefit of the pooling arrangements – obtaining the best value for money was the key objective, providing higher performing managers, although the price for better performance might be higher fees;
- there was a discussion about differences between the information provided in the Cash flow projects for 2018/19 to 2020/21, included in the report, and the figures provided in the Administration report. It was agreed that the latest performance figures for the period ended 31/03/19, for presentation to the Investment Sub-Committee, would be circulated to Pension Fund Committee Members. **Action required;**
- noting the significant costs of the proposed mortality screening project, a Member queried whether this proposal was cost effective. Officers confirmed that there would be screening on every type of membership except active membership, including 6000 deferred records. The £180K estimate was based on soft market research. This exercise had never been carried out, and could result in significant benefits if issues such as evidence of fraud or GDPR risks (e.g. personal information going to wrong addresses) were uncovered. It was noted that there could be instances where a scheme member had passed away but the Fund had not been notified, and the pension was still being paid, which could continue for some time e.g. if the pension was being paid in to a joint account;

- a Member asked why the OPS1 project (processing of undecided leavers), relating to around 1300 cases, cost £130K. Officers advised that these were often complex cases, and external assistance was required to jump start this project, as the resources were not currently available internally. Having a plan in place to correct inaccurate data would be looked on favourably by the Fund's regulators.

It was confirmed that officers would report back to the Committee quarterly on progress, and specifically when actual costs were known.

It was resolved to:

Approve the Business Plan and Medium Term Strategy.

123. REVISED OVERPAYMENT OF PENSION POLICY

The Committee considered the revised Overpayment of Pension Policy.

Officers set out a number of key changes. The first was to increase the amount that officers have the delegated authority from the Committee to write off due to the recovery process being uneconomical to pursue. It was proposed to increase this from the current £100 to £250. This was in line with the limits set by HMRC. The second key change was to delegate authority to officers to write off overpayments that resulted directly from the non or misapplication of the Guaranteed Minimum Pension (GMP) element of a member's pension. It was also proposed to withdraw the period of time over which an overpayment was repaid. It was also proposed to change the reference to Director of Finance to Section 151 Officer, in line with current terminology.

A Member asked who would decide when to waive the policy, when there were cases with exceptional circumstances overriding legislation. Officers confirmed that this would usually be based on officer interpretation within the service, based on experience and professional knowledge, but external guidance would be sought where appropriate.

In response to a question on how many cases were in the £100-£250 range, officers advised that this would only impact on a small number of cases. In relation to the non or misapplication of the GMP element, it was confirmed that the affected scheme members would be notified as a matter of course.

Members noted the authority levels for write-offs, with write-offs over £25K requiring Committee approval. One Member queried the scale of the write-off levels, but it was noted that these had been agreed by the Committee in May 2018.

It was resolved, by a majority, to:

1. delegate the authority for officers to write off all overpayments that are up to £250.00 (gross) as set out in paragraph 2.2 of the report;
2. delegate the authority for officers to not seek recovery of overpayments resulting from the incorrect application of Guaranteed Minimum Pension (Paragraph 2.3.2);
3. approve all other amendments to the policy as detailed in Appendix 2 to the report.

124. RISK STRATEGY AND RISK REGISTER REVIEW

The Committee considered a report on the Cambridgeshire Pension Fund Risk Register, which had been revised to include the likelihood of risks occurring and impact assessments. Risks had been consolidated from 54 down to 25, to provide greater focus and monitoring on the more high level risks. There were also some changes in risk priority and ordering. The Risk Register had been considered by the Local Pension Board, and updated to reflect their comments. The Local Pension Board would be receiving a Risk Monitoring Report on a quarterly basis, which the Pension Fund Committee would be considering every six months.

Arising from the report:

- noting the Risk Strategy objective *“raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)”*, a Member suggested that Members should be added to that list;
- suggested that *“improve financial management”* should be at the top of list under the section “Purpose of the Strategy”;
- suggested that the objectives need to be linked to Fund objectives and the Business Plan;
- noting the example used in Appendix 1, a Member commented that 4000 records was not insignificant, and pointed out that this involved considerable reputational risk.

It was resolved to:

- a) approve the revised Risk strategy and Risk Register;
- b) 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.

125. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies, one Scheduled Body and two exits.

In response to a Member question, it was confirmed that when a new body joined the scheme, there was a one-off fee, i.e. costs were recharged costs so that the Fund did not bear any costs.

It was resolved to:

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

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

- Cambridgeshire and Peterborough Combined Authority

3. note the exit of the following bodies from the Cambridgeshire Pension Fund:

- Whittlesey Internal Drainage Board
- Lunchtime Company Ltd (Abbey Meadows Primary School)
- NECS (UK) (Caldecote Primary School)

126. ADMINISTRATION PERFORMANCE REPORT

Members considered a report setting out performance in a number of key areas of Fund administration.

The Committee noted that one of the KPIs had an Amber rating: *“Provide transfer in quote to scheme member (Statutory) within ten days”*. There was also one overpayment amounting to £2,434.83 due to a child’s pension being overpaid. The appropriate review had not been carried out when the child had attained the age of 18. Processes had been tightened to ensure these reviews were carried out at the appropriate time to mitigate against the risk of further overpayments in this area.

(Councillor Downes left the meeting).

A Member commented favourably on the performance evidenced in the report.

It was resolved to:

Note the Administration Performance Report

127. INVESTMENT STRATEGY

Members were reminded that the Investment Sub Committee had performed a detailed review of the Fund’s Strategic Asset Allocation during 2018, and agreed a final, revised Strategy at its meeting in February 2019, for presentation to the Pension Fund Committee.

Central to the new Strategy was a reduction in investment in direct equities, increasing the amount invested in Alternatives, notably private equity. The Investment Sub Committee believed that this would better manage risk whilst broadly earning the same returns to the Fund, reflecting the desire for greater stability as the Fund reached higher funding levels. Members’ attention was drawn to the wide tolerances (ranges) in the allocations. These

were set generously to allow for market fluctuations i.e. to avoid having to repeatedly buy and sell.

The Investment Sub-Committee had also considered in depth its approach to ESG as part of the Stewardship Code, and opted to maintain a strong policy of engagement rather than disinvestment. The Business Plan detailed the ongoing work on the Stewardship Code.

With regard to the ESG Policy, one Member expressed some concerns, suggesting that whilst engagement was usually the best approach, disinvestment was warranted in some circumstances e.g. the disinvestment from oil of Norway's Sovereign Wealth Fund, especially as Shell and BP were the only oil companies investing in appreciable alternatives strategies. Noting this point, the Chairman reminded Members of the excellent presentation by Majedie at the recent Investment Training Day, and suggested it would be helpful if officers could share that presentation more widely. It was also noted that there had been a question from a member of the public about the Fund's ESG policy i.e. engagement versus disinvestment, and the response would explain the Fund's position in terms of exploring this further as part of the Stewardship Code.

The Committee discussed how the Fund would manage negative cashflow in future years, and also how the significant passive portfolio (approximately 40%) factored in to the Investment Strategy.

Noting the asset allocation table, a Member suggested that these should be spelt out in more detail (e.g. Property, Private Equity rather than the sub-heading 'Alternatives') to provide more analysis.

It was noted that the Strategy would be presented to the Committee again in March 2020.

It was resolved, by a majority, to:

- 1) approve the Strategic Asset Allocation set out in paragraph 4.1 of the report;
- 2) approve the revised Investment Strategy Statement.

128. CASH MANAGEMENT STRATEGY

Members considered the Cash Management Strategy. Under LGPS regulations, the Fund was required to have its own separate bank account, and could only borrow by way of temporary loan or overdraft for the purpose of paying benefits due under the scheme, or to meet investment commitments. Surplus cash is regularly transferred across from the Barclays account into a Custodian Account managed by Northern Trust to fund investment activities. Governance reporting from three key sources provide an oversight by Internal Audit, External Audit and an annual report Mercer Sentinel specifically reports on the efficiency of the custodians cash management on behalf of the Fund.

A Member suggested that the "Operational Issues" table should list "unable to pay pensions" as the greatest risk.

It was resolved to:

- 1) Note the report;
- 2) Approve the Cash Management Strategy.

129. DATA IMPROVEMENT PLAN PROGRESS

The Committee considered a report detailing progress made against the Pension Fund Data Improvement Plan.

With regard to the Payroll/Administration reconciliation and rectification, officers advised that the 81 cases remaining were now down to around 30. Whilst the intention had been to complete this action by 31/03/19, Members were assured that it would be complete by 05/04/19.

With regard to the resolution of scheme specific data fails (identified in the 2018 Data Audit), it was noted this did not impact on the pension being paid, but inconsistencies in addresses, NI numbers, etc. It was stressed that this was very much legacy work which had built up over many years. There was pressure and expectation from both the Pensions Regulator and GDPR legislation to ensure that this information was always correct going forward, and this should now be the case due to direct feeds of information in to pension payrolls. Members commented that it was apparent from this and other reports that the quality of data was getting better all the time.

It was resolved to:

note the contents of the report.

130. GOVERNANCE AND COMPLIANCE REPORT

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

The Members noted issues in relation to potential breaches of the cost cap floor, requiring benefit improvements in excess of 3% of payroll. The Scheme Advisory Board had put forward a number of proposed changes to benefits, to restore costs to the agreed range, and a consultation on this issue was expected shortly. However, in January, a Ministerial Statement was released announcing a pause in the cost cap process for public service pension schemes, resulting from a case deemed to be discriminatory on the grounds of age. The appeal would not be held until late 2019 or early 2020. Whatever the outcome, this had implications in terms of administration, as any benefit changes would need to be delayed until then, and then backdated to April 2019.

In terms of implications for the triennial valuation, the Actuary advised that the four actuarial firms had agreed that if no definite revised benefit structure was in place, the potential impact on changes for the valuation would be ignored.

It was resolved to note the contents of the report.

131. 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.

132. ACCESS ASSET POOLING UPDATE

The Committee considered an update on asset pooling.

It was resolved to:

1. note the Asset Pooling Update;
2. note the attached exempt minutes from the ACCESS Joint Committee meeting of the 19th September 2018;
3. note the consultation regarding asset pooling and the necessary delegation to the Head of Pensions in consultation with the Chairman of the Pension Fund Committee to approve the final version, due to time constraints.

133. FORWARD AGENDA PLAN

The Committee noted the Forward Agenda Plan. Reports relating to the Actuary's Triennial valuation would be factored in.

The Chairman closed the meeting by thanking officers for their hard work in improving data across the board, which was evident from the reports that the Committee had considered.

Chairman

CAMBRIDGESHIRE PENSION FUND



Pension Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Review of the effectiveness of the Pension Board
Purpose of the Report	To provide feedback on the results from the effectiveness review survey.
Recommendations	That the Board notes the feedback and approves the plan of action to improve the effectiveness of the Pension Board in the areas identified detailed in paragraph 4.2.
Enquiries to:	Name: Michelle Oakensen, Governance Officer E-mail: moakensen@northamptonshire.gov.uk

1. Background

- 1.1 The need to regularly review the effectiveness of the Pension Board is considered good governance and is undertaken as an annual exercise. In January 2019 members were invited to complete a survey on how adequate they felt the current arrangements of the Board are and how efficiently it is operating.
- 1.2 The survey consisted of 22 questions and members were encouraged to add extra clarity to answers provided. There was also an opportunity at the end of the survey to provide any additional supporting comments.
- 1.3 The surveys were to be completed by 8th February 2019.

2. Response to the review

- 2.1 The survey to ascertain the view of the Cambridge hire Pension Board was sent to 6 members and 4 completed questionnaires were returned. This represents a return rate of 66.7% which was positive. It should be noted, however, that completion of the survey is a mandatory feature of the Cambridgeshire Pension Fund Training Strategy since its review in December 2018.

3. Results of the effectiveness survey

- 3.1 For questions 1 to 13, participants were required to answer yes or no to the statement presented and for questions 14 to 22, participants were required to rate the statements from strongly disagree to strongly agree. Additional comments boxes were included on every question to encourage further narrative where needed.
- 3.2 A full analysis of the results of the survey can be found in **appendix 1** of the report.

4. Conclusions drawn from the effectiveness survey

- 4.1 The effectiveness of the Pension Board was positive as a whole with the majority of participants agreeing with the statements provided.
- 4.2 The following areas have been highlighted as to where improvements could be made and corresponding actions/comments. Areas for improvement have been quantified as a member providing 'no, disagree or strongly disagree' responses for each individual question.

Statement	Concern	Comments/Action
There are a sufficient number of meetings held in the financial year?	One member thought the Local Pension Board (LPB) should meet as often as the Pension Fund Committee and Investment Sub-Committee	The Board have 4 set meetings the same as the Committee, the additional meeting of the Committee is the annual meeting where key items are discussed such as the Annual Report and Statement of Account to which the Board are encouraged to attend.
Members are provided with sufficient information in order to make effective and timely decisions?	No comment	All papers are published in accordance with Cambridgeshire County Council publishing deadlines to ensure members have sufficient time to evaluate the papers for the meetings. At the meetings all reports are allocated sufficient time to ensure questions are addressed.
I have a good understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice?	One member felt that their knowledge could be better.	Pensions accounting and auditing standards is the final Chartered Institute of Public Finance and Accountancy (CIPFA) module to be delivered under the CIPFA Competencies – this will be scheduled for the 2019/20 year.

I have a good understanding of the role of both internal and external audit in the governance and assurance process?	One member felt that their knowledge could be better.	Internal and external audit papers will be presented at this meeting. Pensions accounting and auditing standards is the final CIPFA module to be delivered under the CIPFA Competencies – this will be scheduled for the 2019/20 year.
I have an understanding of how the Fund monitors and manages the performance of their outsourced providers?	One member felt that they did not understand all about external providers.	A training item will be brought to the Pension Fund Committee on this subject during 2019/20.
I have an understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc.)?	No comment	Mercer delivered training on 4 July on investment performance and risk management, financial services procurement and relationship management & financial markets and product knowledge. Conferences on Investments are available for members to attend if they feel beneficial.

- 4.3 The actions taken against the areas for improvement from the 2017/2018 review are in **appendix 2** of the report.

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. Objective 1.
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. Objective 2.
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 attributed are maintained in a changing environment. Objective 3.
Continually monitor and measure clearly articulated objectives through business planning. Objective 4.
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. Objective 5.

6. Finance & Resources Implications

- 6.1 There are no financial or resource implications as a result of accepting the recommendations within this report.

7. Risk Management

- 7.1 The Pensions Board are expected to have an awareness of how the Fund is operated and maintain appropriate skills and knowledge. The Pension Board make decisions on how the Fund operates and therefore should periodically review how effective processes are and whether there are any skills gaps within membership.
- 7.2 The risks associated with Pension Board members not having the required level of awareness and knowledge have been captured in the Fund's risk register as detailed below.

Risk	Risk mitigated	Residual risk
7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	Failure to provide adequate information to the Pension Committee/Pension Board	Green

- 7.3 The risk register can be found at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

8. Communication Implications

- 8.1 There are no communication implications as a result of accepting the recommendations within this report.

9. Legal Implications

- 9.1 There are no legal implications as a result of accepting the recommendations within this report.

10. Consultation with Key Advisers

- 10.1 There has been no consultation with professional advisers in the writing of this report.

11. Alternative Options Considered

- 11.1 Not applicable.

12. Background Papers

- 12.1 None

13. Appendices

- 13.1 Appendix 1 – Full analysis of the results of the survey
- 13.3 Appendix 2 - Actions taken against the areas for improvement from the 2017/2018 review

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 5 th April 2019

Appendix 1 - Full analysis of the results of the survey

Question	Answers based on 4 members completing the survey							Comments
	Yes (%)	No (%)	Strongly Agree (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Strongly Disagree (%)	
There are a sufficient number of meetings held in the financial year?	75	25						Arguably LPB should meet as often as Pensions committee and Investments sub-committee.
Members work effectively as a team?	100							
The quality of reports meets the expected standard?	100							
Members are provided with sufficient information in order to make effective and timely decisions?	75	25						
I understand my role and obligations under the LGPS Regulations and the terms of reference for the Committee I serve on?	100							
I would know what process to follow if I suspected a breach of the law and there is a sufficient policy in place to support this?	100							

Question	Yes (%)	No (%)	Strongly Agree (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Strongly Disagree (%)	Comments
I am aware that I need to disclose any potential and actual conflicts of interest that may arise?	100							
I am satisfied that risks identified on the covering reports adequately identify the risks involved in taking a particular decision and are reflected in the risk register?	100							
The Training Strategy which incorporates the CIPFA Skills and Knowledge Framework is adequate in aiding members to acquire the correct level of skills and knowledge to undertake their duties effectively?	100							
Members are provided with good quality policies and strategies for review/ approval?	100							Prefer to get involved early on in policy making rather than just a review. However this is happening more and more.
I have knowledge of the Pensions Administration Strategy and how services are delivered?	100							

Question	Yes (%)	No (%)	Strongly Agree (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Strongly Disagree (%)	Comments
I have a good understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice?	75	25						Knowledge could be better.
I have a good understanding of the role of both internal and external audit in the governance and assurance process?	75	25						Knowledge could be better.
I have an understanding of the background to current procurement policy and procedures and the associated values including the roles of key decision makers?				75	25			Not sure I understand about all external providers.
I have an understanding of how the Fund monitors and manages the performance of their outsourced providers?				50	25	25		Not sure I understand about all external providers.
I understand the role of the Funds investment advisors?				100				

Question	Yes (%)	No (%)	Strongly Agree (%)	Agree (%)	Neither Agree nor Disagree (%)	Disagree (%)	Strongly Disagree (%)	Comments
I understand the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks?			25	75				
I have an understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc.)?				50	25	25		
I have an understanding of the importance of the Fund's Statement of Investment principles?			25	75				
I have a general understanding of the role of the Fund's Actuary?			50	50				
I have a broad understanding of the implications of new employers joining the fund and of the cessation of existing employers?				75	25			
I have good knowledge of the valuation process, including developing the Funding Strategy Statement in conjunction with the Fund Actuary?			50		50			

Do you have any additional comments?								There are two questions being raised with the Chair of the Pensions Committee at our next meeting - and it is right as our role to do that but the areas that those topics cover aren't covered in the above questions.
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Appendix 2 - Actions taken against the areas for improvement from the 2017/2018 review

Area for improvement	Concern	Comments/Action	Action completed?
Members are provided with sufficient information in order to make effective and timely decisions.	Decisions have been made by the Committee where the Board have not any sight of either in advance or in review.	Board members have access to all Committee papers and key papers are brought to the Board meetings for discussion and clarification. Where possible policies and strategies are brought to the Board for pre scrutiny before submission to the Committee for approval.	Completed – Board members have access to all Committee papers and are provided with papers for pre and post scrutiny to assist the Committee.
The quality of reports meet the expected standard	No comment provided.	Officers are always looking to improve and streamline reports where possible. The Business Plan for 2018/19 will provide a clearer structure for updates going forward.	Completed – The 2018/19 Business Plan provided a clear structure and the updates followed the same structure. Reports are continuously being reviewed and improved.
Members work effectively as a team	Has been changes to make up of the Board with new members joining.	Board members are encouraged to attend internal training opportunities which encourages development and builds on relations with other members. During meetings an open dialogue is encouraged with all members being heard and matters discussed in a safe environment.	Completed – Training opportunities are provided and members encouraged to attend. Training is also offered as part of some meetings to utilise member time.
I am satisfied that matters requiring further clarification after the meeting are dealt with in a timely manner	No comment provided.	Officers always try to ensure matters that require clarification are dealt with in a timely manner. On occasion, this may be delayed due to data gathering that might be required. Officers will continue to monitor timescales and provide holding e-mails if appropriate.	Completed – Every effort is made to ensure any matters that seek clarification are dealt with in a timely manner. Clarification matters are usually e-mailed shortly after meeting dates.
I know where to find the Fund's key documents	No comment provided.	The Fund's key documents are held on the current website and are on the new website awaiting launch, the navigation on the new website is much simpler and finding key documents should be easier.	Completed – New website launched and navigation easier. The link is provided on all new starter information e-mails.

I understand the role of the Fund's investment advisors	No comment provided.	The Fund's investment Advisors attend some Committee meetings to which Board members are encouraged to attend and to some of the Pension Information Days. Officers will flag dates to members where investment advisors are due to attend for more awareness.	Completed – Mercer delivered training on 4 July on investment performance and risk management, financial services procurement and relationship management & financial markets and product knowledge. Members are also able to observe ISC meetings where investment managers may be present.
There are a sufficient number of meetings held in the financial year	Meetings are the bare minimum to satisfy legislation. The Board should meet as often as the Pensions Committee	The Board have 4 set meetings the same as the Committee, the additional meeting of the Committee is the annual meeting where key items are discussed such as the Annual Report and Statement of Account to which the Board are encouraged to attend.	Completed – All meetings of the Board were scheduled and in quorum. Board members were also invited to key meetings of the Pension Fund Committee.

Local Pension Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Local Pension Board with: 1) Information on Government Consultations affecting the Local Government Pension Scheme (LGPS); 2) Skills and knowledge opportunities.
Recommendations	That the Local Pension Board 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. Consultations

2.1 Fair Deal – strengthening pension protection

- 2.1.1 On 10 January 2019, the Government published a further consultation on the assimilation of its new Fair Deal policy into the LGPS. The consultation ran 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>

- 2.1.2 Features of the consultation included:

- 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.

- 2.1.3 Officers drafted a response to the consultation following receipt of the views of the Fund's key advisers. The final response is included in appendix 2 of this report.

2.2 Consultation on implementation of late retirement factors

- 2.2.1 On 28th March 2019 the Ministry of Housing Communities and Local Government (MHCLG) released a closed group consultation on proposed changes to the late retirement increase factors and guidance. The consultation can be found at the following link:
<http://lgpsregs.org/schemeregs/consultations.php>
- 2.2.2 The proposals include a change in methodology as well as a change in factors which is intended to remove the 'cliff edge' that was a result of the last factor change in January 2017 for some members.
- 2.2.3 The consultation closed on 17 April 2019 and the response drafted by Officers can be found in appendix 3 of this report.

3. Skills and knowledge opportunities – training events

- 3.1 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.
- 3.2 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.
- 3.3 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.

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. <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>

5. Risk Management

- 5.1 The Local Pension Board are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Local Pension Board is up to date with:
- New or amending legislation affecting the LGPS;
 - Relevant activities of the LGPS Scheme Advisory Board and the Pension Regulator that concern the governance of the (LGPS) on a national and local basis; and
 - Skills and knowledge opportunities.
- 5.2 The risks associated with Local Pension Board not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

Risk No	Risk mitigated	Residual risk
7	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

5.3 The Fund's risk register can be found - <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

6. Finance & Resources Implications

6.1 Not applicable.

7. 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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8. Legal Implications

8.1 There are no legal implications connected to the contents of this report.

9. Consultation with Key Advisers

9.1 There has been no requirement to consult with advisers over the content of this report.

10. Alternative Options Considered

10.1 There are no alternative options to be considered.

11. Background Papers

11.1 None.

12. Appendices

- 12.1 Appendix 1 List of training events/conferences.
- 12.2 Appendix 2 New Fair Deal consultation response
- 12.3 Appendix 3 Implementation of late retirement increase factors consultation response

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 23 April 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)	Chartered Institute of Public Finance and Accountancy (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

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
13 – 15 May 2019	PLSA Local Authority Conference	4	Officers, Committee/ Board Members	https://www.plsa.co.uk/Events-Local-Authority-Conference
25 September 2019	Introduction to the LGPS	2	Officers, Committee/ Board Members	https://www.cipfa.org/training/i/introduction-to-the-lgps-20190925-london Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework.
3 October 2019	LGPC Fundamentals Training (Day 1/3)	2	Committee/Board Members	Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow.
16 - 18 October 2019	PLSA Annual Conference	4	Officers, Committee/ Board Members	https://www.plsa.co.uk/Annual-conference-and-exhibition
6 November 2019	LGPC Fundamentals Training (Day 2/3)	2	Committee/Board Members	Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow.
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
18 December 2019	LGPC Fundamentals Training (Day 3/3)	2	Committee/Board Members	Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. Further information to follow.

LGSS Pensions
One Angel Square
4 Angel Street
Northampton
NN1 1ED

LGF Reform and Pensions Team
Ministry of Housing, Communities and Local
Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sirs,

Local Government Pension Scheme (LGPS): Fair Deal – Strengthening pension protection policy consultation

I am writing to you on behalf of the Cambridgeshire and Northamptonshire Pension Funds to provide our response to the matters covered in the consultation. We have answered each question in turn.

General comments

The Cambridgeshire and Northamptonshire Funds (the Funds) are supportive of the general principles of Fair Deal and its application to the LGPS to provide continued access to the Scheme for individuals who are compulsorily transferred out of public sector employment. We feel strongly that it is important to provide continued eligibility, in these circumstances, for all those who are already eligible for membership of the LGPS prior to such a transfer.

Question 1: Do you agree with this definition (points 7-18 “protected transferee”)
Regulation 3B(7) provides that:

“An employee of a service provider who is working wholly or mainly on the delivery of the service or function transferred from a Fair Deal employer other than by a compulsory transfer under sub-paragraph (1) may be treated as a protected transferee with the written agreement of the Fair Deal employer and the service provider.”

This could result in current members of the LGPS who accepted employment with a service provider with the expectation of eligibility for membership of the LGPS, after the service or function had been transferred, losing their eligibility.

The consultation does provide that such individuals **can** be treated as “protected transferees” if both the awarding authority and new contractor agree to do so. This provision is no different to the current provision under the Best Value Staff Transfers (Pensions) Direction 2007 but the Funds feel that this is a missed opportunity to provide pension protection to all eligible individuals, with an expectation of access to the LGPS, regardless of where their employment started, thus avoiding the creation of a two tier workforce.

The Funds also note that the written agreement by both parties to provide protection to such individuals can be terminated unilaterally. This provides the opportunity for “gaming” by service providers when bidding for public contracts. A prospective provider could, in theory, agree to offer to protect such members in order to win a contract and then terminate the protection shortly after to reduce the costs of service provision. If agreement is required from both the awarding authority and service provider to provide protection, agreement of both parties should be required to terminate such protection.

Sub paragraph 3B(8) could be amended to say that the agreement *“may be terminated with the agreement of both the Fair Deal employer and the service provider, at any time.”*

We also note that these provisions appear to be contradicted by sub paragraph 3B(11). The regulation should either be removed or amended so that it is *“subject to regulation 3B(7)”*

Sub paragraph 3B(5) provides that a person remains a protected transferee for as long as they are “wholly or mainly” employed in relation to the provision of the transferred service or function. The Funds are of the opinion that it would be useful for the term “wholly or mainly” be defined or clarified to ensure a consistent approach across all employers and administering authorities. The word “mainly” could be subject to differing interpretations.

The regulations are also silent on what happens if the person returns to being “wholly or mainly” employed in connection with the provision of the transferred service or function. The Funds are of the view that the regulations should be amended to clarify whether protected transferee status would be reinstated or if it is removed permanently.

Question 2: Do you agree with this definition of a Fair Deal employer (Points 19-23)

The Funds broadly agree with this definition of a Fair Deal employer and the principle that these provisions should cover all public sector bodies and not extend to non-public sector bodies.

However, the Funds do note that this will increase the likelihood of these types of employers ceasing participation within the Fund, crystallising potentially large funding deficits. This is of particular concern in relation to further and higher education institutions, which typically have large legacy liabilities, given the financial instability of that sector and the lack of protection for Pension Funds in cases of the insolvency of such an institution.

The Funds also note that employers listed under Schedule 2, Part 4 of the 2014 LGPS regulations are not included in this definition. The consequence of this is that employees of Foundation, Voluntary aided and Federated schools, for whom the Local Education Authority is the deemed employer for pension purposes but for whom the school is the legal employer, are not classed as “protected transferees”. The definition of a Fair Deal employer should be extended to include employers listed under Schedule 2, Part 4 of the LGPS regulations.

Question 3: Do you agree with these transitional measures? (points 24-25)

The Funds broadly agree with the principles of the transitional measures. It is important that all former public sector employees are provided with the same protection. The proposed measures, however, may result in unintended consequences:

- Individuals that were transferred to a broadly comparable scheme, prior to 1 April 2014, will have been transferred to a Scheme that is broadly comparable to the LGPS as a final salary scheme rather than a career average scheme. This could mean that under the proposed regulations, some individuals could be forced to leave a scheme that may be better for them than the current version of the LGPS and losing a link to final salary benefits.
- Where an incumbent service provider is awarded a contract following a retender of services there is a risk that the proposed provisions would create a cessation event, within the broadly comparable scheme, if the provider no longer has any active members in that broadly comparable scheme. This could impact the employer covenant of that provider and increase the risk to LGPS Funds, if the provider is required to pay a materially significant exit payment.
- If the contract for services has been in place for some time, it may be difficult to enforce this provision. Under the current data protection act, employers are only required to hold personnel data for 6 years and are likely to have destroyed data, relating to individuals subject to a compulsory transfer, at the expiry of that retention period. If this is the case, it would be difficult to establish who should be enrolled back into the LGPS following a subsequent transfer. The ability to enforce this provision would rely on the service provider holding information that can identify those employees that were part of the original compulsory transfer.

Where an incumbent service provider is successful in a retender process and currently provides a broadly comparable scheme, it is the Funds view that this should be allowed to continue but care should be taken to ensure that this does not provide an unfair advantage during any tender process.

The Funds do agree that individuals transferring back to the LGPS, from a broadly comparable scheme, should have the right to transfer these benefits into the LGPS but that this should be subject to the same limits imposed on new members of the LGPS.

Question 4: Do you agree with our proposals regarding the calculation of inward transfer values (point 26)

The Funds broadly agree with the proposals. In line with our concerns under question 3, if the member was compulsorily transferred out of public sector employment and transferred to a broadly comparable scheme prior to 1 April 2014, the transfer of benefits into the LGPS should purchase final salary benefits, on the condition that the member has deferred final salary benefits remaining in the LGPS, as a result of the original compulsory transfer and that the benefits should be aggregated on re-joining the LGPS. This would ensure that members were not forced into a worse position than they currently enjoy, through no fault of their own.

Question 5: Do you agree with our proposals on deemed employer status? (points 29-39)

The Funds agree with the principle of allowing “deemed employer” status as an alternative to admission agreements but believe this should be an agreed additional option, not a default position out of the administering authorities’ control. The deemed employer approach should be permissible only with the agreement of both the Fair Deal employer and the administering authority. This is based on our view that deemed employer status, if introduced as a default position could create both funding and administrative issues for administering authorities.

Funding - The Funds believe that it is important to allow administering authorities to formally and directly recognise risk sharing arrangements between awarding authorities and service providers. So called “pass-through” agreements can have a number of benefits, in the correct circumstances. If the deemed employer approach was the default position, however, the Funds would be concerned where a current admission body retains a contract following a retender process and is allowed to automatically convert to the deemed employer approach with a material deficit automatically being subsumed by the “deemed employer”. It is the Funds view that material deficits should not be subsumed by the “deemed employer” in all circumstances and that the regulations should be drafted to allow administering authorities the discretion to require the repayment of any deficit, as a condition of the conversion to the deemed employer approach. Not allowing administering authorities discretion over this matter could lead to negative impacts on a Fund’s cash flow.

Further, where the deemed employer route is used, the proposed regulations continue to require the service provider to meet the costs of any decisions taken by them, that result in a strain cost arising. The proposed regulations, however, do not provide the option for an awarding authority to require a bond be put in place by the service provider to cover these potential strain costs, in cases of insolvency. This could create additional funding risks, if these strain costs cannot be recovered from the service provider.

Administration - The Funds note that one of the intended benefits of the proposed deemed employer status is to limit or reduce the number and variety of scheme employers in the LGPS. It is the view of the Funds that the deemed employer approach would not tackle the underlying issues and potentially increase the complexity of administering the scheme. Under such arrangements, administering authorities would, in reality, need to manage both the service provider and deemed employer, in relation to data and contribution collection as well as communication, training and engagement.

The proposals would increase the difficulty in addressing poor employer performance, not make it easier. Administering authorities would be completely reliant on the strength of service contracts between the deemed employer and the service provider to manage poor performance by the service provider. It is our experience that commercial contracts are usually inadequate in dealing with pension matters completely.

Question 6: What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively? (points 38-39)

The Funds have doubts over how effective any scheme advisory board advice would be in resolving the key issues that could arise from the deemed employer approach. In order to have any opportunity to have a real impact, any guidance from the scheme advisory board should be statutory guidance and should therefore be issued by the Secretary of State, not the scheme advisory board.

Where such guidance is issued, this should focus on the relationship between administering authorities, Fair Deal employers and service providers within the deemed employer approach, allowing administering authorities to enforce employer responsibilities directly with service providers, effectively delegating employer responsibilities to the service provider. Such guidance should also include a requirement for pension matters, relating to administration, discretions and risk sharing, to be addressed within the commercial contract with appropriate default positions, where deemed necessary, if matters are not covered by the contract. Such matters to be considered should include but not be limited to the following:

- Basis for setting the pension contributions expected from the service provider including a default position, if the matter is not covered by the commercial contract.
- Process for exercising employer discretions
- Arrangements for financial reporting
- Obligations at the end of the contract
- Roles and responsibilities for practical day to day activities such as:
 - Payment of pension contributions
 - Provision of monthly/annual pension data
 - Provision of new starter and leaver information
 - Arrangements for dealing with ill health retirements

Question 7: Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used? (points 40-41)

In addition to costs arising from any decision made by the service provider, the Funds are of the view that service providers should also be required to pay any additional costs incurred by administering authorities as a result of poor performance in providing data to the administering authority, where de facto responsibility to do so belongs to the service provider.

The Funds would also reiterate the point that, if responsibility for pension strain costs, arising from an employer decision, are to be the responsibility of the service provider, it would also be wise to allow the Fair Deal employer to specify that the service provider take out a bond to cover these payments, in cases of insolvency. Failure to do so would create additional funding risks.

Question 8: Is this the right approach? (retaining the admitted body option) (points 42-43)

For the reasons discussed above, the Funds are of the view that the admitted body option should continue to be the default option with the deemed employer approach being an additional option available to administering authorities. It is the Funds view that risk sharing options should be explicitly allowed for and reflected in admission agreements, in the future.

Question 9: What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or function are outsourced? (points 44-46)

The Funds are not convinced that any legislation or guidance produced solely in the pension environment are guaranteed to have a positive impact on this issue. It is our experience that problems occur during outsourcing initiatives because awarding authorities and particularly contracting managers are either ignorant of or do not give due consideration of pensions legislation. Any further steps to encourage pension issues to be given full and timely consideration will need to be made outside of the pension environment and affect procurement and finance activities more directly. An example of such a measure would be to require the section 151 officer of the Fair Deal employer to certify that consideration of pension implications have been taken before any procurement exercise can be finalised.

Question 10: Are you aware of any other equalities impacts or any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?

No

Question 11: Is this the right approach? (Transferring pension assets and liabilities – points 48-53)

The Funds would be concerned about any prescriptive provisions, in relation to mergers or takeovers that impose one solution for all cases. The Funds would be concerned about cases where assets and liabilities are automatically transferred from a secure and stable employer to a less stable and secure employer. The Funds would also have concerns over a new employer being automatically entitled to participation within a Fund, without being subject to the admissions policy of that Fund, e.g. if the employer is usually of a type for which a bond or guarantee would be required, these provisions should apply to the new employer before allowing them to participate in a Fund.

The Funds would be comfortable with a position where the proposed arrangements are treated as the default option as long as administering authorities are able to prevent the automatic transfer of assets and liabilities, if this is, not unreasonably, deemed inappropriate given the individual circumstances of the case and that the administering authority can insist on triggering a cessation event. This would allow administering authorities to protect the Fund against any materially negative impacts resulting from a merger or takeover. We also believe that the regulations should be drafted as to require any new employer, entering a Fund as a result of such a merger or takeover, should be required to meet the same requirements as any similar new employer entering the Fund other than as a result of a merger or takeover.

Where such an event involves more than one Fund, the direction of movement should not be prescribed by law but should be decided on the circumstances of the case and allow the Funds to not unreasonably protect their own interests and those of its participating employers.

Question 12: Do the draft regulations achieve our aims?

Yes but please see our comments to the previous question. The Funds are of the view that the regulations should be drafted with those concerns in mind.

Question 13: What should guidance issue by the Secretary of State regarding the terms of asset and liability transfers?

The Funds are of the view that any guidance should only be focussed on the key process of agreeing the transfer of assets and liabilities with enough scope for the Fund Actuaries to agree an appropriate methodology and assumptions to be used for calculating the transfer amounts.

In addition the guidance should allow the receiving administering authority to assess the covenant of the incoming employer and request additional security, if appropriate, and revise contribution rates accordingly and allow the Fund to require the payment of a lump sum payment, if the funding position of the employer in the receiving Fund will be materially reduced.

Yours faithfully

Mark Whitby
Head of Pensions
LGSS

On behalf of the Cambridgeshire Pension Fund and Northamptonshire Pension Fund

Please ask for: Mark Whitby
Email: pensions@northamptonshire.gov.uk
Tel: 01604 366537
Our ref: LGPS Late Retirement Consultation
Your ref:
Date: 15 April 2019

Thahira Khatun
Local Government Finance Reform and Pensions
Ministry for Housing, Communities
and Local Government
2/NE, Fry Building
2 Marsham Street
LONDON, SW1P 4DF

LGSS Pensions
One Angel Square
4 Angel Street
Northampton
NN1 1ED

Dear Thahira

**Local Government Pension Scheme
Consultation on the implementation of new Late Retirement Factors**

With reference to the consultation launched on 28 March 2019, I respond on behalf of LGSS Pensions as their Head of Pensions. LGSS Pensions provide the pension administration service to both Cambridgeshire County Council and Northamptonshire County Council, being the administering authorities for the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund respectively.

Removing the Cliff Edge

The proposed methodology does indeed remove the stark cliff edge effect that was experienced by members at the 2017 change; it smooths the effect of a change in the rate of Late Retirement increase since it takes into account the current Late Retirement methodology and 'linear' factors up to the point of the change.

Other policy choices in methodological approach

I do not have any comments about the specific assumptions made in formulating the factors, but would say that avoiding volatility and constant changes in factors would be appreciated.

Implementing the new approach and factors

The stated proposal is that the new guidance and factors will apply to all retirements from 1 May 2019 and that there is to be no recommendation to backdate the methodology.

I support the methodology not being backdated, however I note that there is no mention of a 3 month delay/lead in period to the new guidance applying as there was for the 2017 change, but believe that including one in the recommendation to your Minister is being considered .

Such a delay/lead in period may have had merit in the context of the 2017 change as members potentially had an opportunity to avoid the universal cliff edge reduction to the level of their increases. The change being proposed now, however, is rather different; there is no universal reduction but a far more nuanced effect on members' benefits, whereby some will see an increase and others a reduction to what they would have under the current methodology and factors.

I therefore question whether there is a need for any delay/lead in period this time, since the new methodology removes the stark cliff edge that led to such disquiet previously. With this particular change, a hard 3 month delay/lead in period may actually create its own problems and potentially lead to challenges; my concern is that it is the oldest members who would be most impacted by such a delay in implementation as their annual pension factors are improving and, say, one attaining age 75 in the delay/lead in period would have no options available that would allow them to benefit from the, by then, already published methodology and factors.

My preference would be for a clear, immediate, introduction of the new factors and methodology. In my view the new methodology provides sufficient mitigation to the effects of the changes in rates without requiring a 3 month delay/lead in period. This approach would also provide clarity from a communication perspective when dealing with members, and removes the prospect of a rush of speculative, time critical, enquiries regarding retiring before the factors take effect.

Finally, in the draft guidance document itself and the examples, NPA (Normal Pension Age) seems to be used interchangeably with NRA (Normal Retirement Age). In paragraph 2.1 of the guidance, rather than referring to 'service before 1 April 2014' and 'service on or after 1 April 2014' when distinguishing between categories, it may be helpful to keep a clear distinction between:

- a) Benefits under the LGPS Regulations 2013 which have a Normal Pension Age equal to the member's State Pension Age (with a minimum of age 65), and
- b) Benefits under the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, and Regulations that are defined in there as the Earlier Regulations and includes those that apply to councillor members, which have a Normal Retirement Age of 65.

I trust that this response proves helpful and look forward to the outcome of the consultation and the introduction of the new late retirement guidance and factors in due course.

Yours faithfully,



Mark Whitby FPMI, CPFA
Head of Pensions
LGSS Pensions

Cambridgeshire Pension Fund



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Risk Monitoring
Purpose of the Report	To present the Cambridgeshire Pension Fund Risk Monitoring Report
Recommendations	The Board is asked to review the current risks facing the Fund as set out in Appendix 1 of the report and advise if the officer conclusions set out in paragraph 2.1 are agreed.
Enquiries to:	Michelle Oakensen, LGSS Governance Officer, moakensen@northamptonshire.gov.uk

1. Background

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pensions Committee on 28th March 2019. Prior to this the Pension Fund Board actively agreed the process of monitoring risks that face the Fund, with the Pension Fund Board reviewing on a quarterly basis and the Pension Fund Committee on a bi-annual basis, unless any concerns were raised, in which case the Pension Fund Committee would be notified earlier.
- 1.2 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link:
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

2. Review of the Cambridgeshire Pension Fund Risk Register

- 2.1 Officers of the Fund have reviewed the risk register and have concluded the following:
 - No risks have seen a change in impact or likelihood scores since the last review
 - No mitigations have needed to be added/deleted since the last review
 - Risks 6, 24 & 25 have been changed to ensure the mitigation is not worded as the risk. The risks now read as follows –

Risk	Current Risk Wording	New Risk Wording
6	Inappropriate Investment Strategy is adopted.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.
24	Adequate controls are not in place for the production of accounts, notices, publications and management reports.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.
25	A Data Improvement Policy and Plan are not in place and adhered to.	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.

- 2.2 Board members are asked to review the full risk register located in **appendix 1** of this report and advise if the above officer conclusions as above are agreed.

3. 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.

4. Risk Management

- 4.1 The Pension Fund Committee and Local Pension Board are expected to monitor risk and compliance and act appropriately where there is a cause for concern.
- 4.2 The risks associated with not monitoring risk and acting appropriately have been captured in the Fund's risk register as detailed below.

Risk No	Risk mitigated	Residual risk
9	Failure to understand and monitor risk and compliance	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

- 4.3 The full risk register can be found in appendix 1.

5. Finance & Resources Implications

5.1 None.

6. Communication Implications

Website	The risk register and risk strategy is on the LGSS Website. The Local Pension Board will be kept up to date with risks at each meeting.
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7. Legal Implications

7.1 Not applicable.

8. Consultation with Key Advisers

8.1 None

9. Alternative Options Considered

9.1 There are no alternative options to be considered

10. Background Papers

10.1 The Cambridgeshire Pension Fund Risk Strategy –
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Strategy.pdf>

11. Appendices

11.1 Appendix 1 - The Cambridgeshire Pension Fund Risk Register including RAG rating (R=Red
A= Amber G=Green

11.2 Appendix 2 – Criteria for assessing impact and likelihood

Checklist of Key Approvals	
Has this report been cleared by Governance and Regulations Manager?	Joanne Walton – 23 rd April 2019

Appendix 1 – 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	
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 processReview 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 RegulatorInternal 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	

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
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	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	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 oversees pensioner existence checks. Robust processes in place including segregation of duties and authorisation protocols. 	3	2	6	G
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
Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G

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
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
Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R AG	Controls	Residual Impact	Residual Likelihood	Residual Total	R AG

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
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
Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G

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	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	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
Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R AG	Controls	Residual Impact	Residual Likelihood	Residual Total	R AG

25	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	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
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Appendix 2 - Criteria for assessing impact and likelihood

Impact

Description	Risk Appetite
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.
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.
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.
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.

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.
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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

CAMBRIDGESHIRE PENSION FUND



Local Pension Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Internal Audit Report and External Audit Plan, Year ended 31 March 2019
Purpose of the Report	To present the Internal Audit Report and External Audit Plan to the Local Pension Board.
Recommendations	The Board is asked to note the report.
Enquiries to:	Mark Whitby mwhitby@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 In addition, Ernst & Young (EY) were 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 31st March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31st 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.

2. Audit Papers Presented

- 2.1 The internal audit report and external audit plan were presented to the Pension Fund Committee on 28th March 2019 for noting and can be found in the appendices to this 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.
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 Board and therefore does not give rise to identifiable risk. The audit process however, is required by regulation and it is therefore important that members are informed of the planned process and receive appropriate updates.
- 4.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Risk mitigated	Residual risk
8	Risk of fraud and error	Green
9	Failure to understand and monitor risk compliance	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

- 4.3 The Fund's full risk register can be found on the LGSS Pensions website at the following link: <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. Communication Implications

- 5.1 None

6. Legal Implications

- 6.1 None

7. Consultation with Key Advisers

- 7.1 The Audit Plan in Appendix 3 has been produced by the Fund's external auditors, EY.

8. Alternative Options Considered.

- 8.1 Not applicable.

9. Background Papers None

10. Appendices

- 10.1 Appendix 1 – Internal Audit Report 2018-19
- 10.2 Appendix 2 – Cover Report Cambridge Pension Fund Audit Plan Year ended 31 March 2019, dated 13th February 2019. Author: Ernst & Young (EY)
- 10.3 Appendix 3 - Cambridge Pension Fund Audit Plan Year ended 31 March 2019, dated 13th February 2019. Author: Ernst & Young (EY).

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 9 th April 2019

**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 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 1 – 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 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

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.

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.

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.

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.

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.

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.

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><i>Employer Services and Systems Team Manager</i></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></p> <p>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:	Cambridgeshire Pension Fund Audit Plan, Year ended 31 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 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

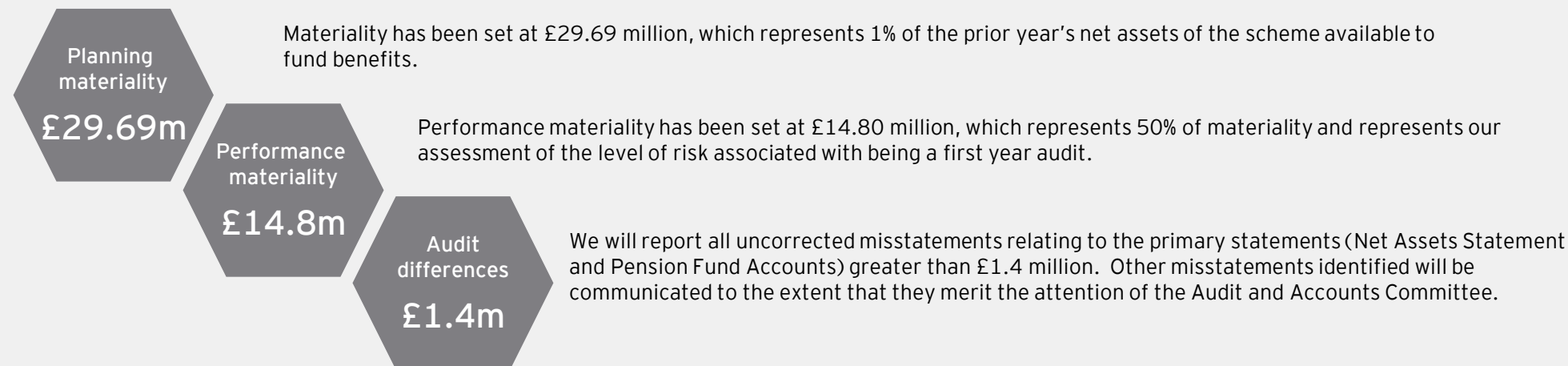
Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial 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. 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?
<p>Investment income and asset valuations - Investment Journals*</p>	<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)

Unusual Investments - Cambridge and Counties Bank (CCB) and Cambridge Building Society (CBS)

What is the risk?

These investments are hard to value Level 3 investments as lack of observable inputs and prices are not publically available.

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.

These investments are not publicly listed and as such there is a degree of judgement in their valuation.

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.

What will we do?

Our approach will focus on:

- ▶ 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.

Audit risks

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?

Valuation of Complex Investments (Unquoted Investments)

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.

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.

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.

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.

New ERP System

From April 2018 a new ERP system was introduced.

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.

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

- ▶ 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.

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

- ▶ 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





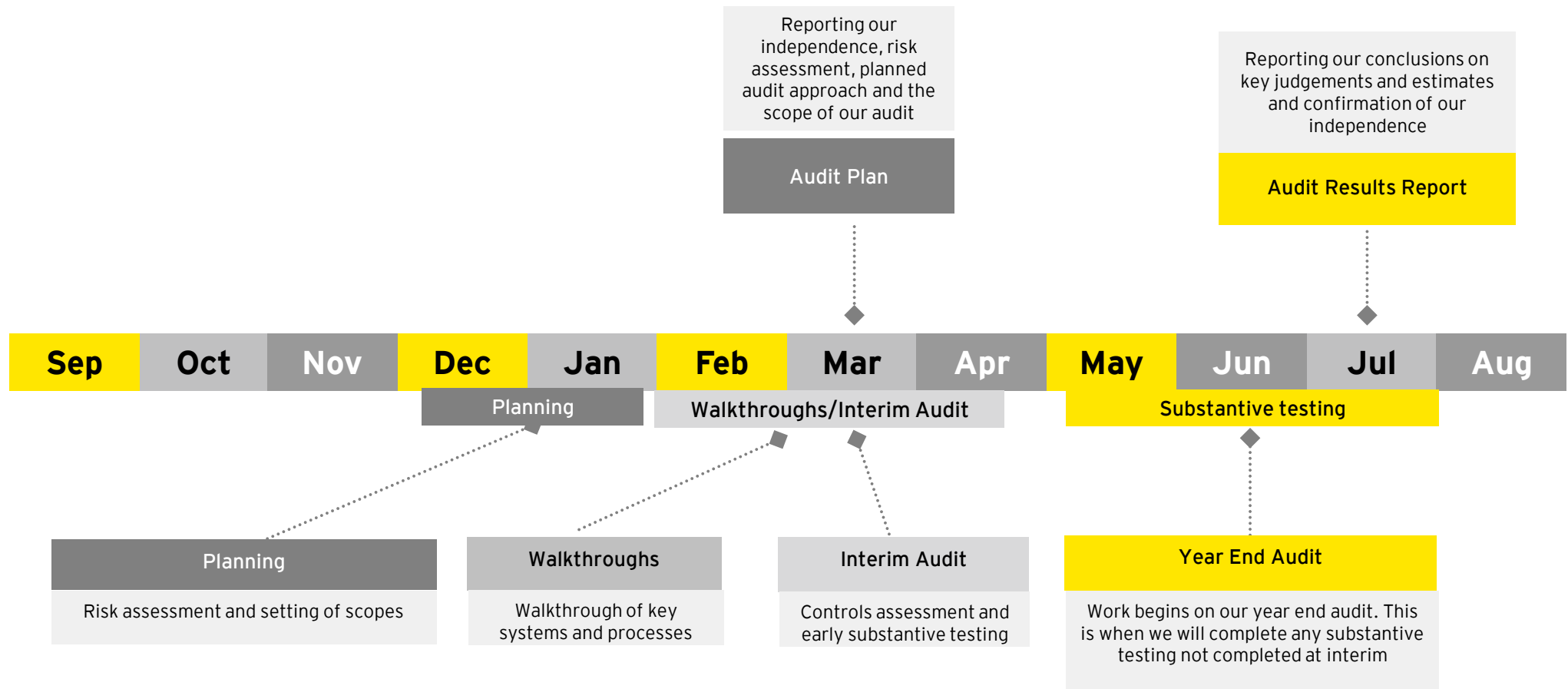
Audit timeline

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**



LOCAL PENSION BOARD

Date: 3rd May 2019

Report by: HEAD OF PENSIONS

Subject	Investment and Fund Accounting Reports presented to the Pension Fund Committee
Purpose of the Report	The purpose of this report is to inform the Local Pension Board of reports presented to the Pension Fund Committee on the 28 th March 2019 with respect to Investment and Fund Accounting matters.
Recommendations	<p>The Local Pension Board is asked to:</p> <ol style="list-style-type: none"> 1. Note the reports presented to the Pension Fund Committee on the 28th March 2019 with respect to: <ol style="list-style-type: none"> a) the Cash Management Strategy; and b) the Investment Strategy.
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 inform the Local Pension Board of reports presented to the Pension Fund Committee on the 28th March 2019 with respect to Investment and Fund Accounting matters.

2. Background

- 2.1. The following reports regarding Investment and Fund Accounting matters were presented to the Pension Fund Committee on the 28th March 2019:-
 - 4.1.1 Cash Management Strategy;

4.1.1 Investment Strategy.

3. Cash Management Strategy

- 3.1. The Fund requires a cash management strategy to ensure that cash is managed efficiently and is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- 3.2. The Objectives and key features of the Strategy are set out in the Pension Fund Committee paper attached as Appendix 1.
- 3.3. The Pension Fund Committee approved the recommendation:

That the Pension Fund Committee:

- 1. Note the Report;
- 2. Approve the Cash Management Strategy.

4. Investment Strategy Statement

- 4.1. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund must prepare and publish an Investment Strategy Statement (ISS). The Investment Sub-Committee (ISC) reviews the ISS annually and any amendments are recommend to the Pension Fund Committee for approval.
- 4.2. The ISC has performed a detailed review of the Fund's Strategic Asset Allocation (SAA) during 2018, culminating in the agreement of a revised Investment Strategy, which was presented to the Pension Fund Committee for approval on 28th March 2019.
- 4.3. The revisions to the SAA and amendments to the ISS arising from the 2018/19 annual review are set out in the Pension Fund Committee paper attached as Appendix 2.
- 4.4. The Pension Fund Committee approved the recommendation:

That the Pension Fund Committee:

- 1. Approve the Strategic Asset Allocation set out in paragraph 4.1;
- 2. Approve the revised Investment Strategy Statement.

5. Recommendations

- 5.1. That the Local Pension Board:

Note the reports presented to the Pension Fund Committee on the 28th March 2019 with respect to:

- a. the Cash Management Strategy; and
- b. the Investment Strategy.

6. Relevant Pension Fund Objectives

<i>Objective 1</i> 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 3</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 5</i> Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
<i>Objective 18</i> Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

7. Finance & Resources Implications

- 7.1. There are no costs associated with the recommendations.

8. Risk Management

- 8.1. The Pension Fund Committee have the authority to review and maintain the Investment Strategy Statement.
- 8.2. The risks associated with implementing the strategy have been captured in the Fund's risk register with respect to Funding and Investment as detailed below.

Risk	Risk mitigated	Residual risk
4	Fund assets are not sufficient to meet obligations and liabilities.	Amber
6	Inappropriate investment Strategy is adopted.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
23	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	Green

- 8.3. The Fund's risk register can be found on the Fund's website at the following link:

<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

9. Communication Implications

- 9.1. The revised ISS has been published on the Fund's website.
- 9.2. The revised Cash Management Strategy has been published on the Fund's website

10. Legal Implications

- 10.1. None.

11. Consultation with Key Advisers

- 11.1. None.

12. Alternative Options Considered

- 12.1. None.

13. Background Papers

- 13.1. Paper to the ISC in February 2019 – Investment Strategy Statement.

14. Appendices

- 14.1. Appendix A – Pension Fund Committee paper – Cash Management Strategy.
- 14.2. Appendix B – Pension Fund Committee paper – Investment Strategy.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 9 th April 2019

**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: 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 1st 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 Scheme (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.

Appendix A: Pension Fund Committee – Cash Management Strategy

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 Barclay's 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

- 5.2.1 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.
- 5.2.2 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:
 - a. Note the Report;
 - b. Approve the Cash Management Strategy.

Appendix A: Pension Fund Committee – 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 Pension 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.cambridgeshire.gov.uk/governance/key-documents/cambridgeshire/>

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.

Appendix A: Pension Fund Committee – Cash Management Strategy

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

Appendix A: Pension Fund Committee – Cash Management Strategy

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

Appendix A: Pension Fund Committee – Cash Management Strategy

- 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 Barclay's 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 25th 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

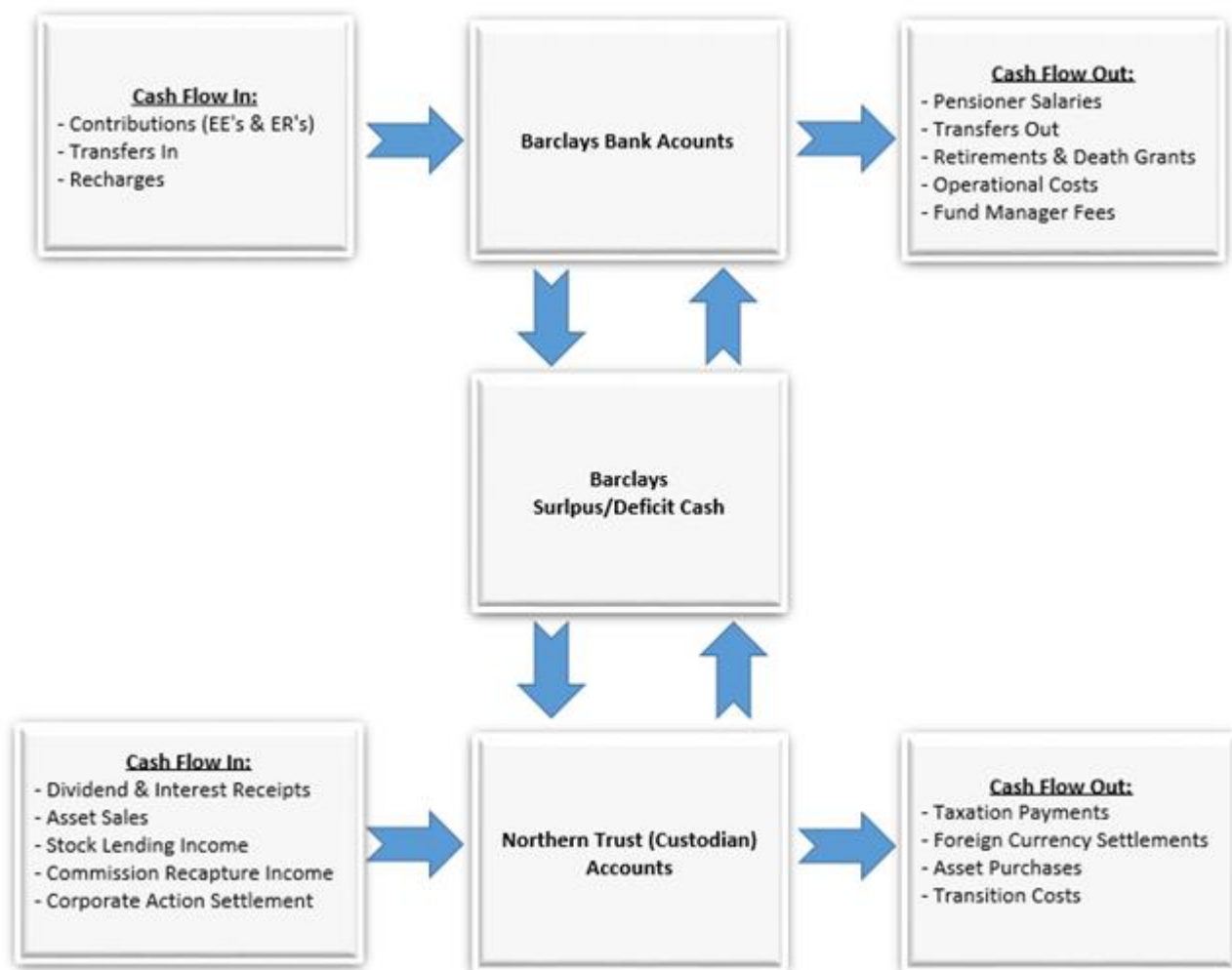
Officers manage the Fund's cash requirements and will first recall cash from the Custodian cash account, then from Investment Managers, giving regard to the asset allocation, liquidity and exit costs of investment assets, as required. Similarly, investing of Fund surpluses will also be in line with the Fund's Investment Strategy.

Appendix A: Pension Fund Committee – Cash Management 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

Appendix A: Pension Fund Committee – Cash Management Strategy



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**



PENSIONS COMMITTEE

Date: 28th March 2019

Report by: HEAD OF PENSIONS

Subject	Investment Strategy Statement
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	The Committee are asked to: 1) Approve the Strategic Asset Allocation set out in paragraph 4.1. 2) Approve the revised Investment Strategy Statement
Enquiries to	Name: Richard Perry, Pension Services Financial Manager Tel: 07717 360604 Email: RPerry@Northamptonshire.gov.uk

1. Purpose of the report

- 1.1. The purpose of this report is to present to the Pension Fund Committee for approval amendments to the 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

Appendix B: Pension Committee – Investment Strategy Statement

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 29 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:

Appendix B: Pension Committee – Investment Strategy Statement

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 Pension Committee are asked to:
- Approve the Strategic Asset Allocation set out in paragraph 4.1.
 - Approve the revised Investment Strategy Statement.

8. Relevant Pension Fund Objectives

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

Appendix B: Pension Committee – Investment Strategy Statement

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 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.cambridgeshire.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

- 14.1. ISC papers on the Investment Strategy Review -14 February 2019.

Appendix B: Pension Committee – Investment Strategy Statement

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	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Chief Finance Officer/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

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 Fund’s 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 Fund Committee on 23 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.cambridgeshire.gov.uk/k>

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 Pensions 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, an independent advisor and the Fund's Actuary.

As noted above, the Fund's objective is to pay benefits as they fall due and this requires the build-up 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 each 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.

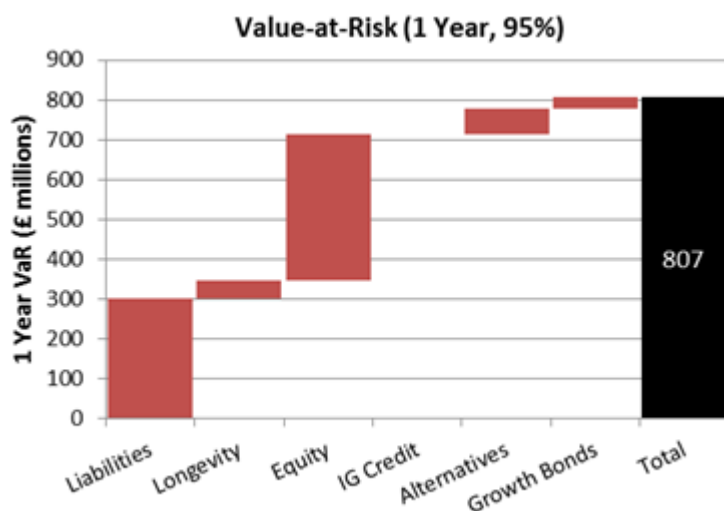
The expected return of this portfolio is 4.4% per annum.

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 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 Risks

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.

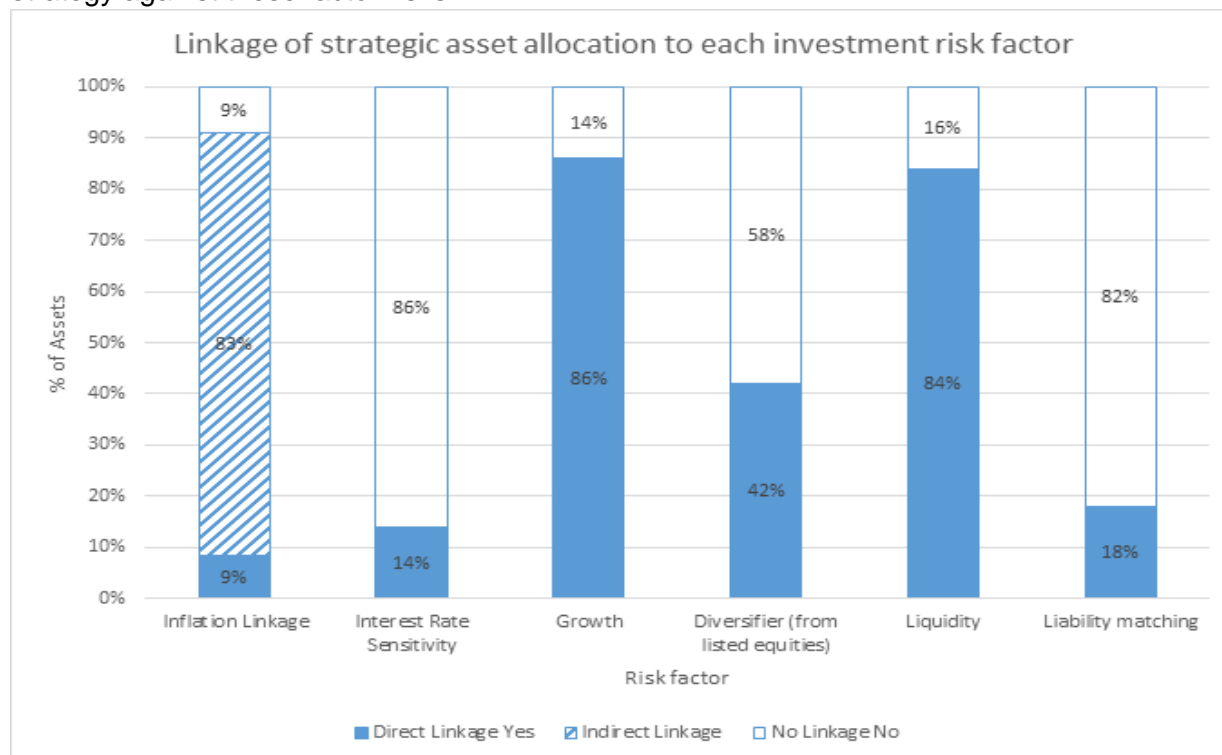
Appendix B: Pension Fund Committee – Investment Strategy Statement



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 it 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 policy)

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 social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund.

The Fund recognizes 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.

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For and on behalf of Cambridgeshire County Council Pension Fund Committee

Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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Investment Strategy Statement (Published XX XX 2019)

Deleted: 5 April 2018

Introduction and background

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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/wp-content/uploads/2016/12/CambridgeshireFundingStrategyStatement2016.pdf>.

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Objectives of the Fund

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Appendix B: Pension Fund Committee – Investment Strategy Statement

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.
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9. The Committee favours active management, where there are opportunities for active managers to add value, increasing overall expected return net of fees.
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Appendix B: Pension Fund Committee – Investment Strategy Statement

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.

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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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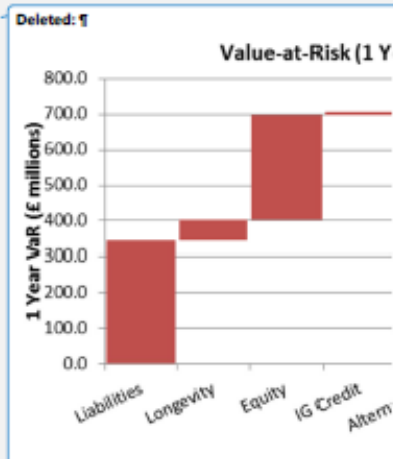
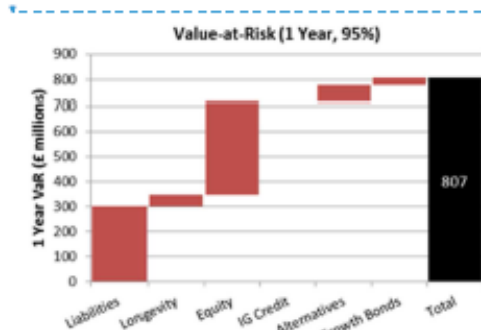
Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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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

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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.

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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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Appendix B: Pension Fund Committee – Investment Strategy Statement

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.

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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.

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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.

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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.

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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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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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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

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.

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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.

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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.

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Appendix B: Pension Fund Committee – Investment Strategy Statement

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
Equities	50%	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	5%	No	Yes	No	Yes	Yes	Yes
Property	10%	Indirect link to inflation over the long-term	No	Yes	Yes	No	No
Private Equity	2%	Yes	No	Yes	Yes	No	No
Local Investment	5%	Yes	No	Yes	Yes	No	No
Infrastructure	5%	Yes	No	Yes	Yes	No	Yes
Loans	2%	No	Yes	No	Yes	Yes	No
TOTAL	100%						



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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

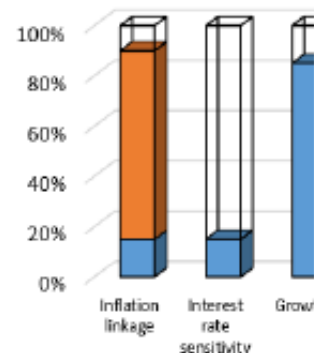
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The graph below illustrates the linkage of the asset allocation to the key investment risk factors shown in the table above. The ongoing [monitoring of the](#) Investment Strategy will review the adequacy of the strategy against these factor risks.

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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.

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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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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension 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.

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Appendix B: Pension Fund Committee – Investment Strategy Statement

Cambridgeshire
Pension Fund

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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.

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For and on behalf of Cambridgeshire County Council Pension Fund Committee

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CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board is 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 Board 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 Board.

2. Administration Reporting

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 Fund 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 January to 31 March 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 March 2018 to 28 February 2019

2.3.3 Details of late paying employers for December 2018, January and February 2019 can be found in **appendix 4** of the report. (private and confidential)

2.4 Breaches of the Law

2.4.1 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. The Cambridgeshire Pension Fund maintains a record of both material breaches that are reported to the Pensions Regulator as well breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.

2.4.2 Breaches that have been identified for the period March – April 2019 have been listed below (please note – this excludes late payment of contributions as this is covered in appendix 3 and 4) –

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	N/A
Non Material Breaches	None	N/A

2.5 Internal Dispute Resolution Procedure

2.5.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

2.5.2 Cases within the IDRP process during 2018/19 can be found in the tables below:

2.5.3 Stage 1 disputes:

No. of disputes brought forward from 2017/18:	0	<u>Stage 1 Decisions:</u> Details of the five resolved disputes relating to administering authority decisions are provided below: i) Refusal to allow a transfer; the dispute was not upheld. ii) Refusal to commute a survivor's pension after the survivor had died; the dispute was not upheld. iii) Recovery of overpaid pension; the dispute was upheld. iv) Two cases involving attempted recovery of overpaid pension; the disputes were partially upheld in that the recovery should be limited to overpayments within the preceding 6 years.
No. of disputes raised in the year at 31/3/2019:	6	
No. of disputes resolved in the year at 31/3/2019:	5	
No. of disputes in progress at 31 March 2019:	1	

2.5.4 Stage 2 disputes:

	Scheme Employer	Administering Authority	Stage 2 Decisions:
No. of disputes brought forward from 2017/18:	2	1	<p>Details of the three resolved disputes relating to scheme employer decisions are provided below:</p> <p>i) Refusal to award early payment of a deferred benefit on ill health grounds; the dispute was upheld.</p> <p>ii) Refusal to extend a discretionary deadline; the dispute was not upheld.</p> <p>iii) Refusal to award an ill health pension; the dispute was not upheld.</p> <p>The resolved dispute relating to an administering authority decision concerned refusal to allow a transfer; the dispute was not upheld.</p>
No. of disputes raised in the year at 31/3/2019:	2	2	
No. of disputes resolved in the year at 31/3/2019:	3	1	
No. of disputes in progress at 31/3/2019:	1	2	

2.5.5 Disputes escalated to The Pensions Ombudsman (TPO)

	Scheme Employer	Administering Authority	
No. of disputes brought forward from 2017/18:	0	0	<p>TPO Decisions:</p> <p>The resolved dispute relating to a scheme employer decision concerned the award of a tier 2 ill health pension; the dispute was not upheld.</p>
No. of disputes raised in the year at 31/3/2019:	2	1	
No. of disputes resolved in the year at 31/3/2019:	1	0	
No. of disputes in progress at 31/3/2019:	1	1	

2.5.6 For future reports this information will be for the period that the report covers.

2.6 Employers Admissions and Cessations

2.6.1 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.

2.6.2 The following admission bodies have been admitted to the Cambridgeshire Pension Fund

- 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

2.6.3 The following scheduled body has been admitted to the Cambridgeshire Pension Fund

- Cambridgeshire and Peterborough Combined Authority

2.6.4 The following bodies have ceased the Cambridgeshire Pension Fund

- Whittlesey Internal Drainage Board
- Lunchtime Company Ltd (Abbey Meadows Primary School)
- NECS (Caldecote Primary School)

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 mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk	Risk mitigated	Residual risk
5	Information may not be provided to stakeholders as required	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

- 5.3 The Fund's risk register can be found on the LGSS Pensions website at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

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

- 11.1 Appendix 1 Variances against the forecast of investments and administration expenses
11.2 Appendix 2 Key Performance Indicators – LGSS Pensions
11.3 Appendix 3 Receipt of Employee and Employer Contributions
11.4 Appendix 4 Late payments of employee and employer contributions (confidential information)

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 12 April 2019

Appendix 1 – LGSS Pensions Administration Report

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	128,000	(1,000)	Decrease due to membership movements.
Transfers in from other pension funds ²	4,907	4,200	(707)	Demand led.
Total income	133,907	132,200	(1,707)	
Benefits payable ¹	(101,000)	(102,930)	1,000	Slight movement due to membership changes.
Payments to and on account of leavers ²	(7,246)	(6,750)	218	Forecast shows actuals to date. Further payments out will be demand led.
Total Payments	(108,246)	(109,680)	(1,434)	
	25,661	22,520	(3,141)	
Management Expenses	(8,494)	(8,120)	374	See analysis below.
Total income less expenditure	17,167	14,400	(2,767)	
Investment income	30,000	36,100	6,100	Forecast reflects Q4.
Taxes on income	-	(100)	(100)	Tax incurred on Real Estate Funds.
(Profit) and losses on disposal of investments and changes in the market value of investments	77,000	17,100	(59,900)	Forecast reflects Q4.
Net return on investments	107,000	53,100	(53,900)	
Net (increase)/decrease in the net assets available for benefits during the year	124,167	67,500	(56,667)	

Management Expenses	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	(2,658)	(2,330)	328	See analysis in table below.
Total Governance Expenses ³	(449)	(350)	99	Increase in ACCESS costs.
Total Investment Expenses ⁴	(5,387)	(5,440)	(53)	Forecast reflects Q4
Total Management Expenses	(8,494)	(8,120)	374	

Administration Expenses Analysis	2018-19 Estimate	2018-19 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	(1,436)	(1,250)	186	Expected underspend due to vacant posts.
Altair System	(287)	(300)	(13)	
GMP/Payroll Reconciliation Project ⁵	(60)	(30)	30	Underspend carried forward to 19/20
CRM and new website	(25)	-	25	Funded by internal resources (staff)
Communications	(23)	(30)	(7)	
Other Non-Pay and Income	(212)	(100)	112	Lower spend on legal fees than expected
County Council Overhead Recovery	(615)	(620)	(5)	
Total Administration Expenses	(2,658)	(2,330)	328	

Notes:

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

² Transfers 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.

³ Governance 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).

⁴ Investment expenses 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.

⁵ The 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 January, February and March 2019

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments (SLA - Service Level Agreement)
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%	January: 149 February: 93 March: 150	149 93 150	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	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	January: 35 February: 27 March: 22	35 26 22	0 1 0	100% 96% 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%	January: 26 February: 29 March: 20	26 29 20	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%	January: 84 February: 82 March: 75	84 82 75	0 0 0	100% 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%	January: 22 February: 20 March: 16	22 20 16	0 0 0	100% 100% 100%	Green Green Green	SLA target 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%	January: 6 February: 6 March: 2	6 6 2	0 0 0	100% 100% 100%	Green Green Green	SLA target met SLA target met SLA target met

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
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
January 2019	99.8	0.2	99.6	0.4
February 2019	100	0	99.6	0.4
Average for period	99.0	1.0	98.0	2.0

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Data Improvement Plan Progress Report
Purpose of the Report	To present progress made against the Pension Fund Data Improvement Plan
Recommendations	The Pension Fund Board is asked to note the Data Improvement Plan Progress 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 A summary of the items on the Data Improvement Plan can be found in appendix 1.
- 1.6 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.

2. Data Improvement Plan Activities

- 2.1 The activities on the Data Improvement Plan that are currently in progress are as follows:

	Data Improvement Activity	Purpose	Original timescale for action	Revised timescale	Comments
1	Resolution of awaiting entry records to correct membership status	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.	1/4/19 - 31/3/20	1/9/19 – 31/3/20	Action rescheduled but no impact on completion date.
2	Rectification of pensions increase errors	To resolve inaccurate pensions in payment on the pensioner payroll due to incorrect Pensions Increase being applied.	1/12/18 – 28/2/19	1/4/19 – 31/8/19	Timescale for completion has been extended to allow for the completion of the activity number 8 as the financial impact in that activity is greater on both the Fund and the scheme member.
3	Resolution of common data fails identified in the 2018 Data Audit	To resolve common data fails identified in the 2018 data audit.	1/1/19 – 31/3/19	1/1/19 – 31/7/19	Progress to date: 9.59% of common data errors resolved. This includes rectification of: Missing, temporary or invalid National Insurance Numbers. Missing or inconsistent forenames and initials. Missing or inconsistent gender. Duplicate National Insurance Numbers but different surname and/or date of birth. Progression of activities 1, 5 and 9 will further reduce the number of common data errors.
4	Resolution of scheme specific data fails identified in the 2018 Data Audit	To resolve scheme specific data fails identified in the 2018 data audit.	1/1/19 – 31/3/19	1/6/19 – 31/3/20	Timeline for completion of this activity has been delayed to allow for the completion of activity number 8 as the financial impact in that activity is greater on both the Fund and the scheme member. There are 10,720 scheme specific data errors. Progression of activities 1, 2 5 and 7 will reduce the number of scheme specific errors.

5	Resolution of unprocessed leaver records	To process all the unprocessed leaver benefits in accordance with the member's entitlement under the LGPS regulations.	New baseline agreed 1/1/19 – 31/12/20	Unchanged From new baseline	Further detail provided in section 2.3.
6	Contracted-out liabilities reconciliation	To compare contracted-out liabilities held on scheme records with that held by Her Majesty's Revenue and Customs (HMRC).	All queries to be submitted to HMRC by 31/12/18.	Deadline of submission of queries to HMRC achieved.	HMRC were scheduled to respond to queries by April 2018. This has now been extended to June 2019. This will change the timescales for activity and completion of activity 7. Percentage of queries outstanding with HMRC = 10% Percentage of queries to be resolved by HMRC = 3% Percentage of records fully reconciled = 87%
7	Contracted-out liabilities rectification	To correct any variances to pensions in payment as a result of activity 6	Contract awarded to ITM Limited to undertake this activity on 1 April 2019.	Completion is dependent on HMRC processing all remaining queries.	See activity 6. More information on timescales will be supplied once HMRC have responded to all queries.
8	Pensioner Payroll vs Pensions Administration reconciliation and rectification	To resolve variances in the amount of pension in payment on the pensioner payroll with that held on the administration record.	1/8/17 – 31/3/19	Project completed on 5/4/19	Further detail provided in section 2.4.
9	Member tracing and mortality screening	To ensure all membership records where a liability is held has a current or home address or is marked as gone away where attempts to trace the member have been unsuccessful.	Pending award of contract following procurement of a supplier of screening services via the National LGPS Frameworks	Contract to commence 3/6/19 following mini-competition.	4,739 members' address records have been cleansed to facilitate the effectiveness of the tracing. Updates will be provided on the effectiveness (including cost) on a regular basis.

2.3 Resolution of unprocessed leaver records

2.3.1 Progress to date on this activity is detailed in the tables below.

Activity description	Start Date	Due Date	Completed	Comments	RAG Status
Request missing leaving certificates from scheme employers (Single DB)	Jan 19	Apr 19	Complete		G
Request missing leaving certificates from scheme employers (Multi DB)	Jan 19	Feb 19	Complete		G
Process Multi DB casework.	May 19	Nov 19		To be processed by Aon Hewitt.	A
Request missing leaving certificates from scheme employers (Amalgamations)	Jun 19	Sep 19			G
Design processing solution for Amalgamation casework	Sep 19	Oct 19		Requires 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

2.3.2 From the baseline position 980 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
March 2019	298	281	1,280	2,984	4,843

2.4 Pensioner Payroll vs Pensions Administration reconciliation and rectification

2.4.1 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.

2.4.2 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 170 have been found to be correctly in payment leaving only 321 variances resulting in either an underpayment or overpayment of pension that required rectification.

2.4.3 The following tables provide further detail on the cases processed.

Initial Variances	1,614
Variances at commencement of rectification stage	491
Current Variances	321
Fully Reconciled	313
Variances Remaining	8

Overpayments		Underpayments	
Initial Variances	933	Initial Variances	681
Variances at commencement of rectification stage	236	Variances at commencement of rectification stage	255
Valid Variances	86	Valid Variances	235
Fully Reconciled	81	Fully Reconciled	232
Variances Remaining	5	Variances Remaining	3

Overpayment Recovery/Written Off	
Repaid in Full	3
Ongoing Deductions	27
Small Overpayment Written Off in line with Policy	13
Written Off due to interaction with contracted-out project	16
Written Off as member is deceased	1
Written Off due to the Limitation Act	1
Written Off following Internal Dispute Resolution Procedure	2
Correspondence Ongoing	16
IDRP Ongoing	2

- 2.4.4 The 8 cases yet to be reconciled will be dealt with under the contracted-out rectification project (activity number 7), due to their interaction with this project.

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 No	Risk mitigated	Residual risk
7	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
25	A Data Improvement Policy and Plan are not in place and adhered to.	Green

- 4.3 The Fund's full risk register can be found on the Fund's website at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. Communication Implications

Direct Communications	The Data Improvement Plan Progress report will be presented to the Pension Fund Board at each meeting.
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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>

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 23 rd April 2019

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 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 31 st March 2019 to the Pension Fund Board.
Recommendations	The Board is asked to note the Pension Fund Business Plan Update for the period ending 31 st March 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 and Board on a regular basis. This update highlights the progress made on the key activities for the period up to 31st March 2019 of the 2018/19 Business Plan which was approved by the Pensions Committee on 28th 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 (SD)

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 March 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 (GC)

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, with the outcome being shared with the Board in July.

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 Her Majesty's Revenue and Customs (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 31st December 2018. Further information on this activity was in the Data Improvement Plan Progress report that was presented prior to this report.

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? Completed, the details of this activity were presented in the Data Improvement Plan Progress report prior to this report.

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 presentation has been prepared about the Fund's resilience to cybercrime. The presentation identifies the procedures, arrangements and technology in place within LGSS, Cambridgeshire County Council and with partners such as Aquila Heywood and Hymans Robertson. The presentation 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 training presentation is being delivered at this meeting and subsequently to the Pensions Committee in June.

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 was required to bring this to an acceptable standard, this was completed at the end of April.

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 existing employers. 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 delivered at the Pensions Committee meeting, to which Board members were encouraged to attend.

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? Project has been re-baselined. Further information on this activity can be found in the Data Improvement Plan Progress report that was presented prior to this report.

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 Official Journal of the European Union (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 Financial Conduct Authority (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 Pension Committee approved the revised asset allocation and the revised Investment Strategy Statement at the meeting of 22nd March 2019. Both are being presented at this meeting.

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 No	Risk mitigated	Residual risk
7	Those charged with the governance are unable to fulfil their responsibilities effectively	Green
13	Failure to administer the scheme in line with regulations and guidance	Green

- 4.3 The Fund risk register can be found at the following link –
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

5. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee and Pension Board 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 Head of Pensions?	Mark Whitby – 23 rd April 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 Board

Date: 3rd May 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 Board is asked to note 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 Business Plan and Medium-Term Strategy approved by the Pension Fund Committee on 28th March 2019 can be found in the separate **appendix** of this report.

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 Board at each meeting 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.

4. Finance & Resources Implications

- 4.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Board 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 No	Risk mitigated	Residual risk
7	Those charged with the governance are unable to fulfil their responsibilities effectively	Green
13	Failure to administer the scheme in line with regulations and guidance	Green

- 5.4 The risk register can be found on the Fund's website at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

6. Communication Implications

Direct Communications	An update on progress made against the activities in the Business Plan will be presented to the Pension Fund Board 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 were 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 Annual Business Plan and Medium-Term Strategy 2019/20 to 2021/22

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 23 rd April 2019

APPENDIX

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

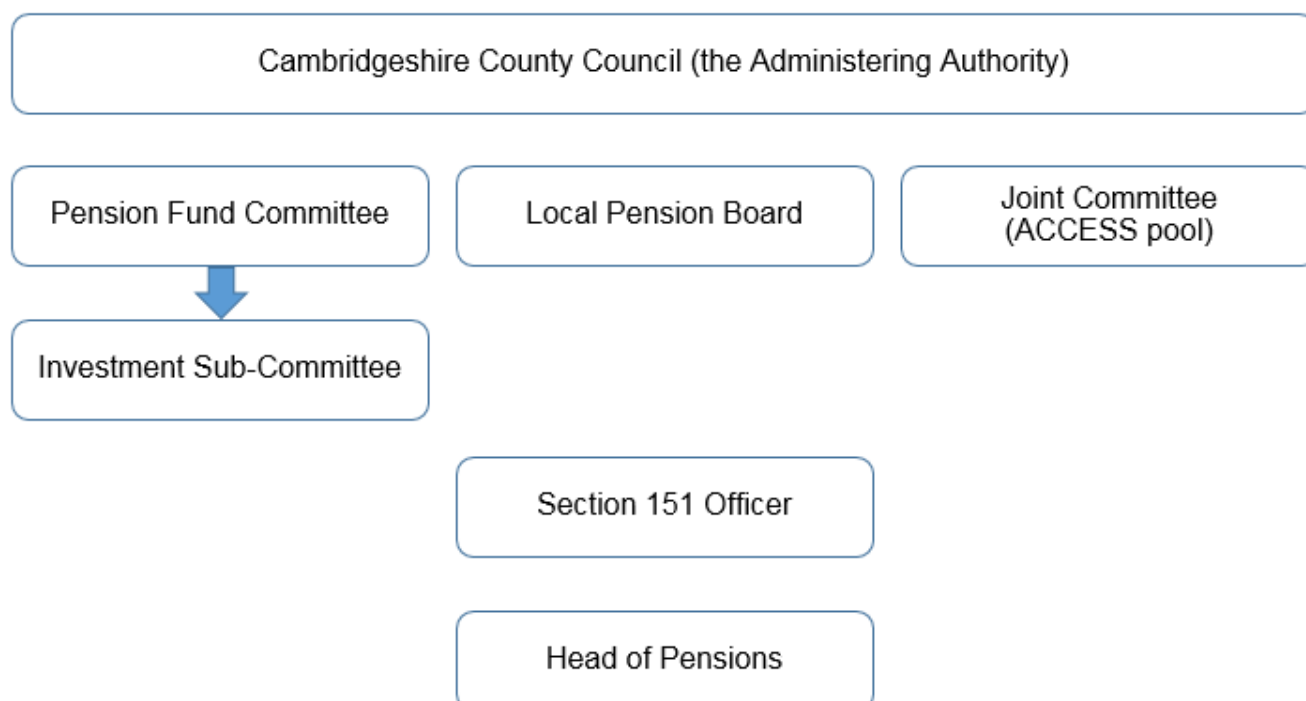
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

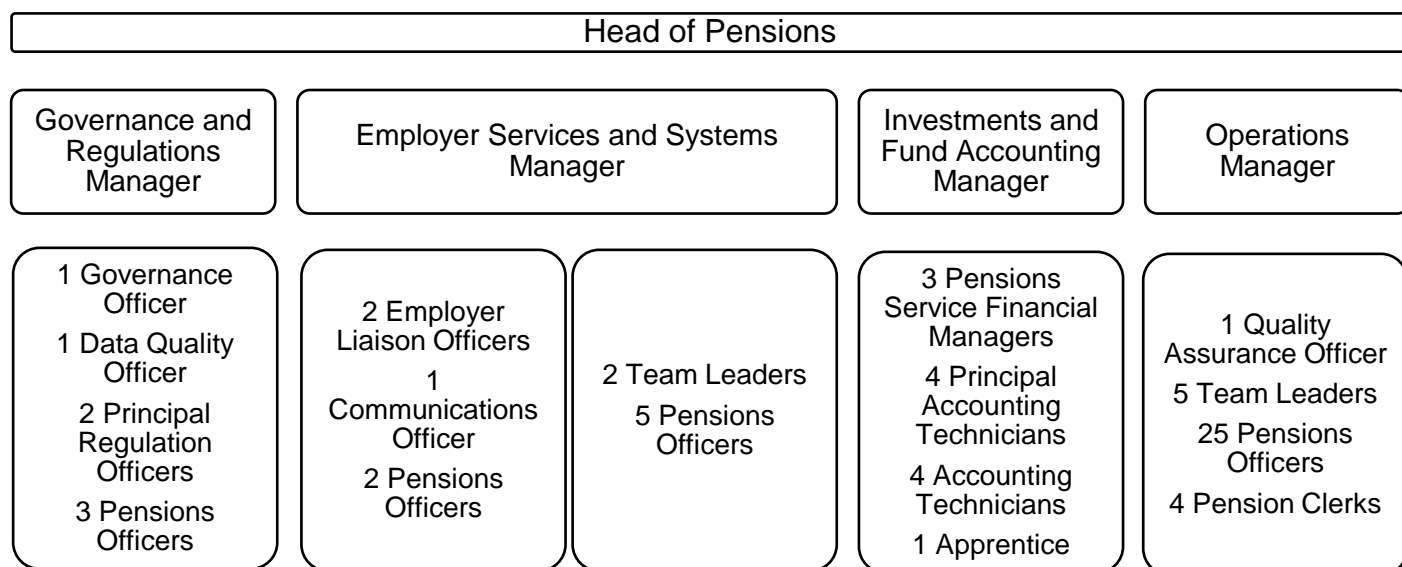
In 2012, the administration of the Cambridgeshire Pension Fund was merged with that of the Northamptonshire Pension Fund following the creation of LGSS, a shared service joint committee arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Funds, however remain as 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.

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.

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.

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Board Effectiveness Review Actions.
Purpose of the Report	To present the Cambridgeshire Pension Fund Board Effectiveness Review Action Plan to the Board.
Recommendations	The Pension Fund Board is asked to consider this report and approve the action plan in Appendix 1
Enquiries to:	Joanne Walton, Governance and Regulations Manager, jwalton@northamptonshire.gov.uk

1. Background

- 1.1 It is considered good governance to regularly review the effectiveness of the Cambridgeshire Pension Fund Board. In addition to the annual self-review, Aon, the Fund's Governance Advisers, were commissioned to conduct an impartial review.
- 1.2 The purpose of the impartial review is to establish, based on Aon's observations, whether the Pension Fund Board is fulfilling its role to support the respective Administering Authority in meeting its regulatory requirements.
- 1.3 The observation was conducted at the meeting held on 19th October 2018 and the detailed findings were presented back to the Board by Aon on 15th February 2019.
- 1.4 The next stage is to consider the subsequent action plan to ensure the Board is operating as effectively as it can be.

2. Assessment

- 2.1 There were 16 key areas that were reviewed by Aon to determine the effectiveness of the Pension Fund Board under the categories of Governance Structure, Knowledge and Skills, and Behaviour. The findings have been summarised below.

Governance Structure	Assessment
Clear terms of reference and clearly documented scheme of delegation	Neutral
The structure allows decision making at the appropriate level and quick decision making where appropriate	Neutral
Includes appropriate representation of stakeholders	Positive

Receives well-presented information/reports	Positive/Neutral
A proper range of subject matter is being considered by the Board	Positive/Neutral
Sufficient time for discussion	Positive
Managing actual and potential conflicts of interest	Positive
Transparency to stakeholders	Positive

Knowledge and Skills	Assessment
Clearly articulated knowledge and skills in line with Fund Policy	Positive/Neutral
Identify and provide ongoing training in an effective and suitable manner to meet requirements	Neutral
Rely appropriately on officers and advisors to provide expert knowledge	Positive

Behaviour	Assessment
High level of attendance at meetings	Positive
Demonstrate integrity in relation to their Fund role/general behaviour	Positive
Be engaged and provide appropriate challenge	Positive/Neutral
Highlight any potential conflicts they may have	Positive
For the Chairperson to manage the meetings fairly without any bias to individuals or self and prepare adequately for meetings	Positive

3. Actions against the findings

- 3.1 The table in Appendix 1 outlines the proposed key actions to be taken against all neutral findings in section 2 above.
- 3.2 The Board are asked to consider the proposed actions and timescales for completion and agree the action plan. A progress report would then be brought back at the end of the financial year to demonstrate achievement against each action.

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. <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>

5. Finance & Resources Implications

- 5.1 None.

6. Risk Management

- 6.1 The Pension Fund Board are expected to have an awareness of how the Fund is operated and maintain appropriate skills and knowledge.
- 6.2 The risks associated with Pension Fund Board members not having the required level of awareness and knowledge have been captured in the Fund's risk register as detailed below.

Risk Number	Risk mitigated	Residual risk
7	Those charged with governance are unable to fulfil their responsibilities effectively.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

- 6.3 The Fund's risk register can be found at the following link:
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

7. Communication Implications

Direct Communications	The original review was published by Democratic Services on the Cambridgeshire County Council website (link below).
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8. Legal Implications

- 8.1 Not applicable

9. Consultation with Key Advisers

- 9.1 Aon, the Fund's Governance Advisers were commissioned to undertake the initial review.

10. Alternative Options Considered

- 10.1 Not applicable

11. Background Papers

- 11.1 Cambridgeshire Pension Board Effectiveness Review -
<https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/902/Committee/18/Default.aspx>

12. Appendices

- 12.1 Appendix 1 - Actions against the findings.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 23 April 2019

Appendix 1 – Effectiveness Review - Actions against the findings

Key Area	Issue taken from Aon Report	Action	Completion Date
Assessing the Board against an appropriate governance structure			
Clear terms of reference and clearly documented scheme of delegation.	<ul style="list-style-type: none"> The Scheme of Delegation for the Board is included in the Governance Policy and Compliance Statement. A more detailed description of the areas the Board is responsible for should be considered. It is recommended that examples are used in the Terms of Reference so as retain the Board's flexibility to consider all areas under their overall regulatory responsibilities. For example, it is understood that a plan is in place to ensure that the Board has a greater role to play developing, monitoring and reviewing the Fund's risk register in the future. It would be recommended as an inclusion and believe it would provide helpful clarity for the Board on part of its role noting that the Pensions Committee must regularly consider this as part of its risk management responsibility (page 13). A small but important point is that the quoracy requirements are not stipulated and should be included (page 13). 	<p>To include a more detailed description of the areas the Board is responsible for in the Terms of Reference, citing examples. Officers of the Fund will liaise with Democratic Services. Following any amendments Fund Officers will review the Governance Policy and Compliance Statement.</p> <p>Democratic Services to update the terms of reference to include quoracy requirements.</p>	<p>31st March 2020.</p> <p>31st March 2020.</p>
The structure allows decision making at the appropriate level and quick decision making where appropriate	<ul style="list-style-type: none"> The Board's link to the decision-making Pensions Committee is evident, noting that information shared with the Pensions Committee is made available to the Board. The link could be strengthened and made more explicit with the inclusion of an agenda item to consider the most recent Pension Committee papers directly. This would allow the Board to consider the areas being covered at each Committee meeting and identify any areas of concern or interest which should be pursued by the Board (page13). 	To include an agenda item at each meeting providing Board members with all papers taken to the Pension Fund Committee with minutes/draft minutes to also be provided.	Next meeting on 5 th July 2019.
Receives well-presented information/ reports	<ul style="list-style-type: none"> The role of the Board is to act as a critical friend to the Pension Committee and officers to ensure the effective and efficient administration and governance of the scheme. It is understood that the Board sees the same information as the Committee, but 	There will be an agenda item at each meeting, which will provide Board members with reports that were taken to the Pension Fund Committee. Minutes of the previous Pension	Next meeting on 5 th July 2019.

Appendix 1 – Effectiveness Review - Actions against the findings

	<p>would suggest that a more explicit acknowledgement of the information the Committee receives, and the minutes of those meetings is followed. This could be achieved by ensuring that the Board's agenda has an item which enables a review of the most recent committee papers and minutes (page14).</p> <ul style="list-style-type: none"> • The Chair of the Board is engaged with the Committee having attended the previous meeting, but it was not evident that other members of the Board had attended the Committee, and this should be encouraged for all members of the Board (page14). 	<p>Fund Committee meeting, will also be provided to the Board at each meeting for full transparency and oversight.</p> <p>Officers will continue to encourage all Board members to attend Pension Fund Committee meetings when they can. Officers will also continue to highlight Pension Fund Committee meetings of significant value where attendance would be desired, for example, when external speakers are present.</p>	Ongoing.
A proper range of subject matter is being considered by the Board	<ul style="list-style-type: none"> • The statistics provided to the Board in some cases state the statutory requirement however the description provided does not outline the legal timescale. The legal requirements which Funds must meet could be used to inform and link to internal targets and expected overall turnaround times. The Administering Authority should measure against the Fund's specific target timescales (page15). • It would be expected that the Board reviews breaches. It was noted that at the July 2018 meeting the Board considered the changes in the Pensions Regulator Policy on reporting breaches of the law however the only breach that appears to be reported to the observed meeting is the late payment of contributions by employers. For example, one would have anticipated an update on the Annual Benefit Statement exercise meeting given that the deadline date passed on 31st August. It would be expected to report back information about breaches of legal timescales for notifying members in various circumstances (page 15). 	<p>An activity to design a range of customer experience key performance indicators was included in the Annual Business Plan approved by the Pension Fund Committee in March 2019, the Board will be updated with implementation of this activity through quarterly Business Plan Update reports.</p> <p>An additional section on reporting breaches of the law has been incorporated to the Pensions Administration Report and will be delivered at this meeting.</p>	<p>Delivery of first Customer Journey by 31st March 2020.</p> <p>In place as of May 2019.</p>

Appendix 1 – Effectiveness Review - Actions against the findings

Assessing the Knowledge and Skills of the Board			
Clearly articulated knowledge and skills in line with Fund Policy	<ul style="list-style-type: none"> There is limited information available at present to confirm the completed attendance and training and it is recommended that the training records are published going forward for openness and transparency (page 18). It would be helpful to ensure all new members of the Board have the opportunity to attend an induction session to complement the information received when they commence the role (page 18). 	<p>The training undertaken by Board members and attendance of Board members at meetings is published in the Annual Report and Statement of Accounts. If members feel this is not sufficient, training and attendance could also be published on the LGSS Website on a 6 monthly basis.</p> <p>Newly appointed Board members are encouraged to ask questions to fully understand the role and the requirements of the Local Government Pension Scheme. If required, a training session could be arranged at the end of a meeting or mutually agreed time, to help further facilitate members gaining the required level of Skills and Knowledge.</p>	<p>31st July 2019.</p> <p>Ongoing.</p>
Identifying and provide ongoing training in an effective and suitable manner to meet requirements.	<ul style="list-style-type: none"> The identification of training requirements was not covered in detail at the observed meeting and it could be considered in more detail by the Board. For example, it might be suitable and helpful for Board members to have a short training session on a relevant or topical issue at the start of each meeting to ensure knowledge and skills requirements of the Board meetings would ensure all areas falling into this category are considered on a regular basis (page 18). Board members could undertake a self-assessment to identify if further or repeat training is required (page 18). 	<p>Training items such as the Governance and Compliance Report, Internal Dispute Resolution Procedure, Statutory and non-Statutory Policies have been brought to the Board over the previous meetings. As training needs arise these will continue to be addressed through the meetings where pragmatic to do so. For example, a training item on Cyber Resilience is being delivered at this meeting.</p> <p>The self-assessment questionnaire is a mandatory component of the Cambridgeshire Pension Fund Training Strategy and development of the questionnaire is near completion for distribution to members.</p>	<p>Ongoing.</p> <p>30th June 2019.</p>

Appendix 1 – Effectiveness Review - Actions against the findings

Behaviour of the Board			
Be engaged and provide appropriate challenge	<ul style="list-style-type: none"> • Overall the majority of the Board were very engaged asking probing questions about the information provided and in addition asking questions about information not provided and clearly commissioning work to help undertake their role. An example of where it could be possible to improve was the knowledge and structure of LGSS (page 20). • The level of engagement for newer members compared to more long-term members was understandably different. It was recommended that a check-in facility was adopted for those newer members during their induction to ensure they feel supported in their new role (page 20). 	<p>This action is deferred until the outcome of the review of the shared service arrangements between LGSS partners is known. Preference for a lead authority model has been expressed by the partner authorities.</p> <p>Newer members of the Board are encouraged to contact officers and/or other members if they have any queries or concerns. In addition, courses such as the Introduction to the Local Government Pension Scheme are recommended and officers will continue to facilitate such events.</p>	<p>TBC.</p> <p>Ongoing.</p>

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: 3rd May 2019

Report by: Head of Pensions

Subject:	Valuation of the Pension Fund
Purpose of the Report	To provide the Local Pension Board with an update on the Pension Fund valuation.
Recommendations	The Board is asked to note the valuation update.
Enquiries to:	Name – Cory Blose Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Pension Fund is subject to an actuarial valuation every three years. The latest valuation has an effective date of 31st March 2019. The valuation will be carried out throughout the 2019/20 scheme year, culminating with the publishing of the valuation report and rates and adjustments certificate by 31 March 2020.
- 1.2 This report is to provide an update on progress of some of the key activities of the valuation.

2 Engagement with employers

- 2.1 A communication was sent to employers at the end of April providing a high level overview of the valuation including key timelines. An employer forum will be held on 17th May 2019 focussing entirely on the valuation.

3 Pre-valuation activities

3.1 Setting of key financial assumptions

- 3.1.1 At its March meeting, the Pension Fund Committee agreed the key financial assumptions to be used for the valuation. These key assumptions were:
 - 3.1.1.1 future salary growth of active members; and
 - 3.1.1.2 the proportion by which it is expected investment returns will outperform returns on government gilts.

3.1.2 Following two separate reports and a presentation from the Actuary, the Committee agreed to a salary increase assumption with a short term assumption of 2% until 2020 and a longer term assumption that salaries will increase by the Retail Price Index (RPI) less 0.2% thereafter.

3.2 Contribution rates for large scheduled bodies

3.2.1 The Actuary has carried out the process of modelling contribution rates for large scheduled bodies, known as “Compass modelling”. The large scheduled bodies are County, District and Borough Councils plus the Police and Fire authorities.

3.2.2 Due to the stabilisation approach applied to the contribution strategy for these employers, a different approach is taken for setting their contribution rates. This includes setting a general principle for changes to the contribution rate for this group as a whole, using outliers to model the appropriateness of the strategy.

3.2.3 Officers discussed the results of the modelling with the Actuary in April and will hold a briefing for the Chief Financial Officers of these employers at the employer forum.

3.3 Ill-health pooling

3.3.1 Officers have discussed options for managing ill health risks on whole fund pooling basis. Two options were discussed:

3.3.1.1 Option A – Creating a dummy employer which would act like an insurer, collecting “premiums” from each employer and reimbursing them for any ill health strain costs that occur.

3.3.1.2 Option B – Reimbursing each employer for any strain costs and deducting the required level of assets from all other employers, after the event, using Hymans Employer Asset Tracker (HEAT).

3.3.2 Option B was chosen as this involves no additional work required by officers, over and above what would be required by option A and was significantly less expensive at approximately half the costs of option B.

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. (Objective no 1)
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. (Objective 2)
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. (Objective no 3)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)

Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. (<i>Objective no 9</i>)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (<i>Objective no 15</i>)

5. Finance and Resources Implications

5.1 None

6. Risk Management

6.1 The Fund carries out an actuarial valuation every three years. The Pension Committee and Local Pension Board are expected to be involved in this process and make informed decisions where necessary.

6.2 The risks associated with failing to be involved in the process and make required decisions have been captured in the Fund's risk register as detailed below.

Risk No	Risk mitigated	Residual risk
7	Those charged with the governance of the Fund are unable to fulfil their responsibilities effectively.	Green
16	Failure to provide relevant information to the Committee and Board to enable informed decision making.	Green
19	Failure to act upon expert advice and/or risk of poor advice.	Green
20	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	Green

6.3 The Fund risk register can be found at the following link –
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

7. Communication Implications

Direct Communications	Not applicable
Website	Not applicable

8. Legal Implications

8.1 Not applicable

9. Consultation with Key Advisers

9.1 Consultation with the Funds advisers was undertaken for this report.

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Not applicable

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 12 th April 2019.

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

Date: May 2019

Report by: Democratic Services Officer

Subject:	RE-APPOINTMENTS TO THE BOARD
Purpose of the Report	To address the need for appointments to be made to the Board for the employee representatives
Recommendations	<p>The Pension Fund Board is asked to recommend to the Monitoring Officer the re-appointment of the following Scheme Member representatives:</p> <ul style="list-style-type: none"> a) Barry O’Sullivan for a further 4 year term running to the end of July 2023 b) John Stokes for a further 4 year term running to the end of July 2023. c) David Brooks for a further 4 year term running to the end of October 2023.
Enquiries to:	<p>Name – Rob Sanderson – Democratic Services officer E-mail – rob.sanderson@cambridgeshire.gov.uk</p>

1. BACKGROUND

- 1.1 Appointments to this Board are for a period of four years. When setting up the original Board in 2015, the employee representatives were selected after placing advertisements on the Council’s website and Pension Fund website pages. Following interviews by a panel including the Monitoring Officer, Barry O’Sullivan and John Stokes were appointed until July 2019, and David Brooks was appointed until October 2019.

2. PROPOSALS

- 2.1 Appendix 1 to the report sets out the relevant extract from the regulations in respect of Board Membership. In terms of final approval by the administering authority, this would be a decision by the County Council’s Monitoring Officer.
- 2.2. To be able to fully participate in the business of Board meetings requires a considerable amount of training in terms of the background knowledge regarding pensions’ regulations and Pension Fund investments. The three Board members, referenced above, whose membership will come to an end later this year, have all expressed an interest in continuing to be a member on the Board. This being the case and taking account the considerable amount of training undertaken by these three members and the difficulty of finding people with a similar level of knowledge, it

is proposed that the Board recommend to the Monitoring Officer that they are re-appointed for a further four year term. There appears to be no legal reason to prevent their re-appointment.

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.
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.

4. Finance & Resources Implications

4.1 Not applicable.

5. Risk Implications

5.1 Not applicable.

6. Communication Implications

6.1 Not applicable.

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 Agenda and Minutes of Local Pension Fund Board meetings.

https://cambridgeshire.cmis.uk.com/ccs_live/Committees/tabid/62/ctl/ViewCMIS_Committee_Details/mid/381/id/18/Default.aspx

11. Appendices

11.1 Appendix 1 Extract from Pension Fund Regulations

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 Chief Finance Officer/Section 151 Officer?	Not applicable
Has this Report been checked by the Monitoring Officer	Yes Fiona Mc Millan 23 rd April 2019
Has this report been cleared by Head of Pensions?	Yes Mark Whitby 23 rd April 2019

2.2 The regulations that apply to the Board membership are as follows:

Local pension boards: membership

107.—(1) Subject to this regulation each administering authority shall determine—

- (a) the membership of the local pension board;
- (b) the manner in which members of the local pension board may be appointed and removed;
- (c) the terms of appointment of members of the local pension board.

(2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—


- (a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and
- (b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.

(3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—

- (a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and
- (b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.

(4) Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

- (a) a person to be designated as an employer representative has the capacity to represent employers; and
- (b) a person to be designated as a member representative has the capacity to represent members.

		AGENDA ITEM: 17
CAMBRIDGESHIRE PENSION FUND BOARD AGENDA PLAN	Created April 2019	 Cambridgeshire County Council

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
03/05/19	Minutes 15/02/19 and Action Log	R Sanderson	18/04/19	
	Administration Report [standing item]	M Oakensen		
	Data Improvement Plan Update [standing item]	J Walton		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Cambridgeshire Pension Fund Business Plan and Medium Term Strategy (post scrutiny)	M Whitby		
	Effectiveness Review – collective self-assessment	M Oakensen		
	Effectiveness Review – Aon conclusions and actions	M Oakensen		
	Cyber Resilience Training Presentation	C Blose		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Investment Strategy Statement (post scrutiny)	P Tysoe		
	Cash Management Strategy (post scrutiny)	P Tysoe		
	Internal Audit	P Tysoe		
	External Audit	P Tysoe		
	Pension Committee Minutes 28/03/19	R Sanderson/ J Walton		
05/07/19	Election of Chairman / woman, Vice Chairman / woman		21/06/19	
	Minutes 3/5/19 and Action Log	R Sanderson		
	Annual Report of the Board	M Rowe		
	Administration Report [standing item]	M Oakensen		
	Data Improvement Plan Update [standing item]	J Walton		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Risk Monitoring	M Oakensen		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Dormancy Policy (pre scrutiny)	J Walton		
	Communication Plan (post scrutiny)	C Blose		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Underpayment Report – ARSOA	J Walton		
	Admitted bodies, Scheme Employers and Bulk Transfer Policy (post scrutiny)	C Blose		
	Pension Committee Minutes 13/6/19	R Sanderson/ J Walton		
04/10/19	Minutes 05/07/19 and Action Log	R Sanderson	24/09/19	
	Administration Report [standing item]	M Oakensen		
	Data Improvement Plan Update [standing item]	J Walton		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Risk Monitoring	M Oakensen		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Funding Strategy Statement (pre scrutiny – feedback verbally to the Committee due to time constraints)	C Blose		
	Actuarial Valuation Report?	C Blose		
	Annual Report and Statement of Accounts (post scrutiny)	P Tysoe		
	Anti-Fraud and Corruption Policy (pre scrutiny)	M Oakensen		
	Pension Committee Minutes 25/7/19	R Sanderson/ J Walton		
24/1/20	Minutes 04/10/19 and Action Log	R Sanderson	14/1/20	

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Administration Report [standing item]	M Oakensen		
	Data Improvement Plan Update [standing item]	J Walton		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Risk Monitoring	M Oakensen		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Administration Strategy (pre scrutiny)	C Blose		
	Communication Strategy (post scrutiny)	C Blose		
	Pension Committee Minutes 10/10/19 & 12/12/19	R Sanderson/ J Walton		
24/4/20	Minutes 24/1/20 and Action Log	R Sanderson	14/4/20	
	Administration Report [standing item]	M Oakensen		
	Data Improvement Plan Update [standing item]	J Walton		
	Business Plan Update [standing item]	J Walton		
	Governance and Compliance Report [standing item, to include policy monitoring]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Valuation Update [current standing item]	C Blose		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Agenda despatch date
	Asset Pooling [current standing item]	P Tysoe		
	Governance Policy and Compliance Statement (pre scrutiny)	J Walton		
	Payment of Employee and Employer Contributions Policy (pre scrutiny)	M Oakensen		
	Business Plan and Medium Term Strategy	J Walton		
	Pension Committee Minutes 19/3/20	R Sanderson/ J Walton		

