

# **Annual Business Plan and Medium Term Strategy**

**2020/21 to 2022/23**

**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 the priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2020/21, 2021/22 and 2022/23. The business plan was approved at the Cambridgeshire Pension Fund Committee meeting on X March 2020. 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 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 2020/21 including the resources required to manage the Fund.

## **Further information**

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

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## Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £3.19bn 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 90,000 of which 29,000 are active members from 254 individual contributing employers and approximately 61,000 retired, survivor, deferred and other members.

## Governance and management of the Fund

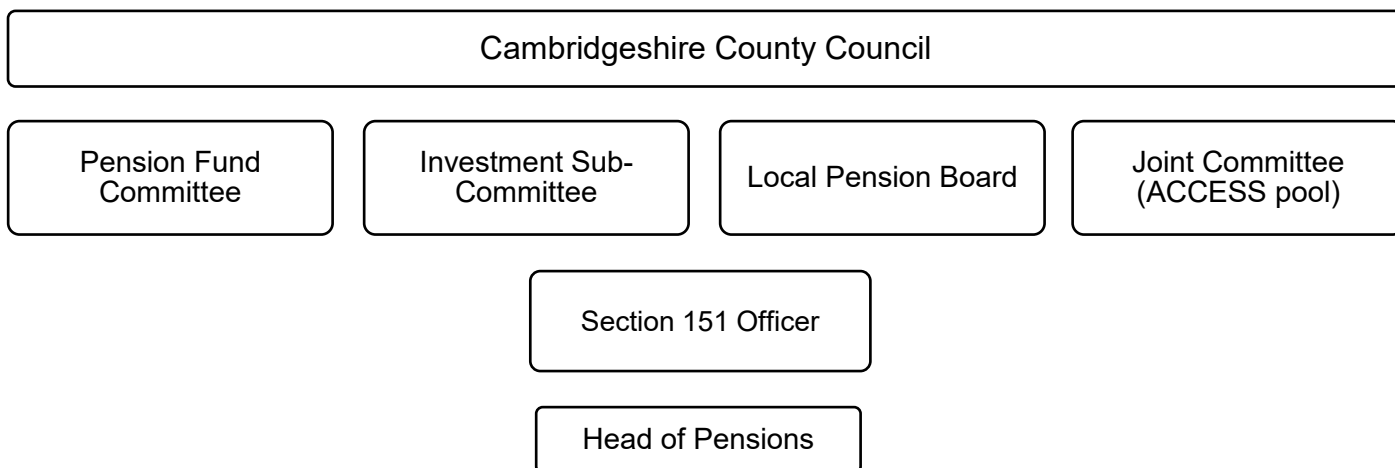
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

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

The governance structure is detailed below:



## Administration of the Fund

In 2012, the administration of the Cambridgeshire Pension Fund was converged 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.

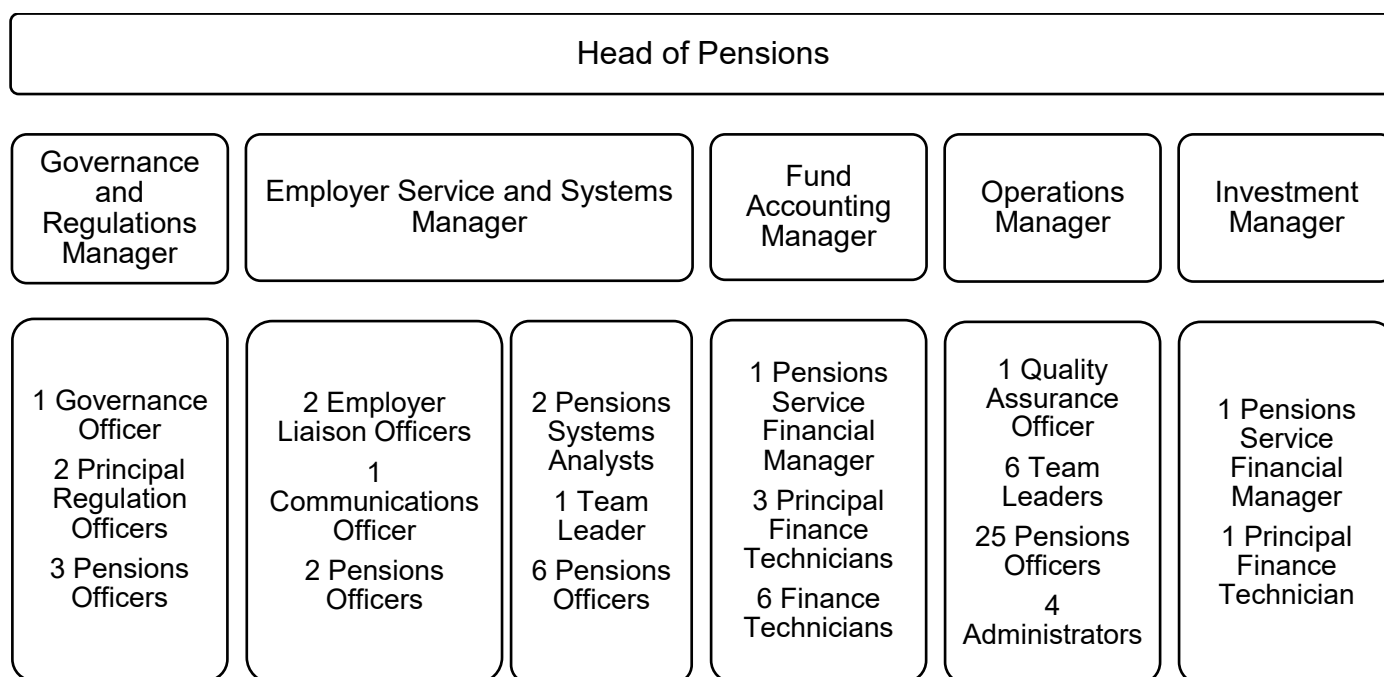
The administration and investment functions of both Funds have been fully converged for a number of years and are based at One Angel Square in Northampton. Both Funds have benefited from cost savings through the ability to procure services such as custodian and actuarial, benefits, governance and investment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

During the 2020-21 year the administration of the Funds is expected to transition from the current model to a lead authority shared service model, with the lead authority being Northamptonshire County Council.

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

- The Operations Team is responsible for providing the full range of 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 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 provide support to employers being admitted to and leaving the scheme, managing the triennial actuarial valuation process and liaison with scheme employers with regards to the responsibilities required of them. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.
- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Fund Committee and Local Pension Board. In addition the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance with prevailing LGPS specific and overriding legislation. The team specialises in data quality, information governance and pension taxation.
- The Investments Team is responsible for liaison with the ACCESS asset pool and governance over the Fund's investments, including development of the Investment Strategy Statement, whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required.
- The Fund Accounting Team provide the financial control function to the Fund. It manages and accounts for the receipt of contributions from employers, processes the Fund's financial transactions and oversees the production and audit of the Annual Report and Statement of Accounts.

The structure of LGSS Pensions, which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2020 is illustrated below:



### Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.

- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

## **Business as usual**

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

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

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

## **Governance**

- Setting the agenda, reporting and presenting to the Pension 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 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 the Government's Actuary Department 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 are an unprecedented volume of external factors that could impact the management of the Fund:

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

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

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

### **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 2019/20 to 2022/23

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

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contributions <sup>1</sup>	131,000	128,000	130,000	132,000	134,000
Transfers in from other pension funds <sup>2</sup>	4,200	6,000	5,200	5,200	5,200
<b>TOTAL INCOME</b>	<b>135,200</b>	<b>134,000</b>	<b>135,200</b>	<b>137,200</b>	<b>139,200</b>
Benefits payable	(105,000)	(109,000)	(114,000)	(119,000)	(124,000)
Payments to and on account of leavers <sup>2</sup>	(9,100)	(11,500)	(10,200)	(10,200)	(10,200)
<b>TOTAL PAYMENTS</b>	<b>(114,100)</b>	<b>(120,500)</b>	<b>(124,200)</b>	<b>(129,200)</b>	<b>(134,200)</b>
	<b>21,000</b>	<b>13,500</b>	<b>11,000</b>	<b>8,000</b>	<b>5,000</b>
Management expenses	(10,040)	(6,833)	(5,147)	(3,959)	(3,959)
<b>TOTAL INCOME LESS EXPENDITURE</b>	<b>11,060</b>	<b>6,667</b>	<b>5,853</b>	<b>4,041</b>	<b>1,041</b>
Investment income	36,000	39,000	40,000	41,000	42,000
Taxes on income	-	-	-	-	-
Profit and (losses) on disposal of investments and changes in the market value of investments <sup>3</sup>	84,000	171,000	69,000	69,000	69,000
<b>NET RETURN ON INVESTMENTS</b>	<b>120,000</b>	<b>210,000</b>	<b>109,000</b>	<b>110,000</b>	<b>111,000</b>
<b>Net increase/(decrease) in net assets available for benefits during the year</b>	<b>131,060</b>	<b>216,667</b>	<b>114,845</b>	<b>114,041</b>	<b>112,041</b>

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

<sup>2</sup>Future estimated transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 201/18 to 2019/20.

<sup>3</sup>Return on Investments have been calculated by applying the assumption of 2% investment growth.

## Management expenses

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total administration expenses	(2,930)	(2,998)	(2,642)	(2,285)	(2,285)
Total governance expenses	(550)	(555)	(784)	(784)	(784)
Total investment expenses <sup>4</sup>	(6,560)	(3,280)	(1,721)	(890)	(890)
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>(10,040)</b>	<b>(6,833)</b>	<b>(5,147)</b>	<b>(3,959)</b>	<b>(3,959)</b>

Notes:<sup>4</sup>Investment expenses are mainly driven by (invoiced) fees paid to managers and are based upon the actuary's assumption of asset growth for the coming year. They do not include investment management fees paid in pooled funds, including the ACCESS pool.

## Administration expenses

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Staff related	(1,400)	(1,348)	(1,423)	(1,423)	(1,423)
Altair administration and payroll system	(310)	(325)	(336)	(336)	(336)
Data improvement projects <sup>5</sup>	(440)	(540)	(311)	-	-
Communications	(30)	(13)	(71)	(25)	(25)
Other non pay and income	(120)	(107)	(16)	(16)	(16)
County Council overhead recovery	(630)	(665)	(485)	(485)	(485)
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>(2,930)</b>	<b>(2,998)</b>	<b>(2,642)</b>	<b>(2,285)</b>	<b>(2,285)</b>

Notes:<sup>5</sup>Data Improvement Projects include several initiatives to improve data and include GMP rectification costs, Address Tracing and Mortality screening 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 and identify any changes in response to the planned priorities as a result of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

### Risk Management

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

To follow are the Fund's current highest rated risks. The full risk register can be found on the LGSS Pensions website at the following link:

<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

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

## Appendix 1 – Business Plan 2020/21 to 2022/23

### Service delivery

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
SD1	Undertake a review of the Business Continuity Plan	✓	✓	✓			
SD2	Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and put in place appropriate mitigations	✓	✓	✓	✓		
SD3	Retender/extend contract for actuarial, benefits and governance consultancy services					✓	
SD4	Re-procurement of pensions administration and payroll platform		✓				
SD5	Re-tender/extend contract for mortality screening and address tracing services			✓	✓	✓	

#### SD1 – Undertake a review of the Business Continuity Plan

The Business Continuity Plan covering the Fund's governance and administration is now due for a full review. This review will help ensure appropriate arrangements are being put in place to facilitate the seamless transition of shared service administration from Northamptonshire County Council to one of the two new Northamptonshire Unitary authorities.

Timescale	Key Milestone	Dates
	Investigate current business continuity arrangements with key partners	April to June 2020
	Update Business Continuity Plan	June to August 2020
	Scrutiny of Business Continuity arrangements by Local Pension Board	October 2020
	Update Pension Fund Committee on Business Continuity arrangements	December 2020

**Budget required:** All costs will be met by the existing administration budget

#### SD2 – Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and put in place appropriate mitigations

Cyber-crime is posing increasingly sophisticated threats to the administration of the Fund. At the same time the Fund is trying to implement its digital strategy in an effective, efficient and equitable manner. This activity is therefore to analyse the risks to the Fund in the digital space and implement any appropriate actions arising from that analysis.

Timescale	Key Milestone	Dates
	Obtain specialist advice in connection with cyber-crime	April 2020
	Investigate current security and other measures designed to mitigate cyber-crime	April to June 2020
	Develop action plan	July to September 2020
	Implement action plan	From October 2020

**Budget required:** The cost of obtaining specialist advice, from one of our existing suppliers, will be agreed between the Head of Pensions and Chairman of the Pension Fund Committee and reported to the Pension Fund Committee via the Business Plan update.

### **SD3 - Retender/extend contract for actuarial, benefits and governance consultancy services**

The existing contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2022 with the option of a 2 year extension. The Fund will need to consider whether the contracts should be extended for a further 2 years or if it is appropriate to conduct a procurement on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

Timescale	Key Milestone	Dates
	Decision over whether to procure or extend	June 2021

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

### **SD4 - Re-procurement of pensions administration and payroll platform**

The Fund currently uses Aquila Heywood's Altair as its pensions administration and payroll platform. The contract is due to expire on 30 September 2021 with the option of a 3 year extension. A framework is currently being developed by the National LGPS Framework but the completion of this may not be in time for the actions required by the Fund and so a full OJEU process may be required instead. A decision needs to be made to begin a joint procurement exercise with Northamptonshire Pension Fund at this time or extend the existing contract with a view to procuring a new contract during the extension period.

Timescale	Key Milestone	Dates
	Decision over whether to procure or extend	July 2020

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

### **SD5 - Re-tender/extend contract for mortality screening and address tracing services**

The existing contract for mortality screening and address tracing services is due to expire in June 2021 with the option of a 2 year extension. The Fund will need to consider whether the contracts should be extended for a further 2 years or if it is appropriate to conduct a procurement on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Decision over whether to procure or extend	December 2020

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

## Governance and Compliance

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
GC1	Complete the Guaranteed Minimum Pension rectification	✓	✓	✓	✓		
GC2	Scope and conduct potential liability reduction exercises				✓	✓	
GC3	Obtain Pensions Administration Standards Association (PASA) accreditation						✓
GC4	Conduct market testing and procure a supplier of independent data auditing services				✓	✓	

### GC1 - Complete the Guaranteed Minimum Pension rectification

Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20 however following the delay in HMRC issuing the final file of data, the rectification stage has not been able to fully commence. It is currently unknown when HMRC will be releasing the final data files or the additional costs that may be incurred by the Fund under the existing contract with ITM Limited.

Timescale	Key Milestone	Dates (earliest estimated)
	Receipt of final data file from HMRC	April 2020
	ITM Limited to supply data files to automatically upload data into the pensions administration system	June 2020
	ITM Limited to supply details of pension in payment records that require rectification	June 2020
	Rectification of pension in payment records	June 2020 to March 2021

**Budget required:** Estimated additional project management costs of £1,750 charged by ITM Limited as a result of the delayed HMRC file have been added to the administration budget for 2020/21. Should the final file of data not be received by 31 October 2020 it will be necessary to purchase an additional year's license from the Fund's pensions administration and payroll platform provider to automatically upload data to members records which is estimated to be approximately £17,500.



## GC2 - Scope and conduct potential 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 within the LGPS to be awarded 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, extinguishing the Fund from any future liability.

It has become increasingly common for pension schemes to look at ways of reducing the number of such records particularly when the annual cost of the pensions administration and payroll platform is calculated in 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	Key Milestone	Dates (earliest estimated)
	Scope exercise	February 2021
	Conduct exercise	2021/2022

**Budget required:** All costs will be met by the existing administration budget.

## GC3 - Obtain Pensions Administration Standards Association (PASA) accreditation

Obtaining the PASA accreditation will demonstrate to stakeholders that the Fund has in place quality operations, where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions' administration services. Once achieved the accreditation is granted for a three year period subject to an annual certification process.

Timescale	Key Milestone	Dates (earliest estimated)
	Commence preparation and collation of assessment material	April 2022
	Provide information to PASA for assessment	March 2023
	Hold site visit and receive assessment results	2023/24

**Budget required:** Anticipated accreditation costs of £6K will be met by an addition to the administration and governance budget.

## GC4 - Conduct market testing and procure a supplier of independent data auditing services

The Pensions Regulator issues an annual mandatory scheme return within which the Fund's common and scheme-specific data scores must be included. The Fund is in its final year of a 3 year contract with ITM Limited for the provision of this service with no option to extend. In order to

achieve value for money for the most appropriate service it will be necessary to conduct market testing which will in turn to inform the necessary procurement route on a joint basis with Northamptonshire Pension Fund.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Conduct soft market testing	January 2021
	Begin procurement process	March 2021
	Contract to commence	1 August 2021

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

## Communications, Systems and Employer Management

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
CSEM1	Undertake a digital strategy review	✓	✓	✓	✓		
CSEM2	Scope requirements for data collection in respect of the LGPS Transitional Protections			✓	✓		
CSEM3	Prepare for the 2022 Valuation of the Pension Fund					✓	✓
CSEM4	Implement multiple investment strategies	✓	✓	✓	✓	✓	

### CSEM1 – Undertake a digital strategy review

The Fund is committed to delivering a service where communication is digital by default to provide an excellent customer experience for all stakeholders and to ensure that technology is used appropriately to create a high quality, efficient and modern pensions service. The review will be carried out over a 3 year period and will focus on the use of digital services across a range of work streams including member experience, communications, data collection and data processing. This will begin with a review of the current use of digital solutions and identify where digital solutions will be beneficial. A plan will then be developed, identifying priorities and setting out a schedule for introducing further digital improvements.

Some activities have already been identified and will start to be implemented in the current year. These included completion of the implementation of monthly data provision by scheme employers, ensuring the Fund's website is compliant with Central Government accessibility requirements by October 2020 and moving to digital communications as standard when communicating with scheme members.

Timescale	Key Milestone	Dates
	Complete roll out of monthly employer data collection	2020/21
	Investigate potential for procuring customer relationship management software	June 2020
	Undertake website accessibility review	April 2020 to October 2020
	Formulate digital processing plan	April 2020 to October 2020
	Investigate the feasibility of using e-forms	April 2020 to December 2020

**Budget required:** All internal costs will be met by the existing administration budget. Anticipated costs of £10,000 for the website accessibility review will be met by an addition to the administration budget for 2020/21.

Anticipated costs of £36,000 for moving to digital communications as standard will be met by an addition to the Communications budget for 2020/21. This should produce small savings per annum by reducing printing and postage costs, but will enable the Fund to issue more targeted communications than it would otherwise be able to do so.

Other costs are anticipated throughout the project and these will be assessed and reported as part of the digital review and development plan.

### **CSEM2 - Scope requirements for data collection in respect of the LGPS Transitional Protections**

As a result of the ruling in the McCloud/Sargent cases determining that the transitional protections in the Firefighters and Judges' pension schemes were age discriminatory, it was confirmed that this judgement will also apply to the LGPS. The remedy is awaited but it is assumed that the protections will be extended to at least cover all members in the scheme when the protections were introduced. As a result, there may be an exercise required to collect data relevant to the transitional protection.

Employers are only required to keep membership data for 7 years, it is therefore important that this issue is raised with employers to ensure that the required data is retained beyond that period. This activity relates to assessing the Fund's data requirements and developing a plan for completion. This could be a very extensive process and the Fund may or may not be able to determine which members this information is needed for.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Develop requirements and plan for data collection activities	October 2020 to March 2021

**Budget required:** No costs at this time. Any costs will be identified as part of the scoping activity.

### **CSEM3 – Prepare for the 2022 Valuation of the Pension Fund**

The Fund must be valued on a triennial basis with employer contribution rates set for the following 3 years. The next valuation is due to be carried out as at 31 March 2022 with whole Fund results to be issued in the summer of 2020 and individual employer results in the winter of 2022. New employer rates would come into effect from 1 April 2023.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Develop requirements and plan for data collection activities	2021/22
	Undertake valuation of Fund	2022/23

**Budget required:** The cost of completing the 2022 valuation will be provided in the business plan at that time.

## CSEM4 – Implement multiple investment strategies

With an increasing number and variety of employers participating in the Fund, more flexibility is required to meet the different funding needs of employers. This project will look to create a small number of “investment buckets” based on the Fund’s current asset allocation.

Timescale	Key Milestone	Dates
	Work with the Fund’s advisors to assess possible appropriate options	April 2020 to May 2020
	Present report to the Pension Fund Committee on recommended options and seek approval to consult with employers	June 2020
	Publish proposed options for consultation with employers	July 2020 to August 2020
	Agree appropriate strategy for each employer	September 2020 to December 2020
	Implement multiple investment strategies	2021/22

**Budget required:** All costs will be met by the existing administration budget.

## Operations

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
OPS1	Resolution of unprocessed leaver records	✓	✓	✓	✓		

### OPS1 – Resolution of unprocessed leaver records

The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment or 2) scheme employers providing late monthly reporting.

The roll out of i-connect is expected to significantly reduce instances of scheme employers failing to report leavers, but does increase, due to the technical design, the number of cases that may initially report as an unprocessed leaver. The volume of backlog cases, after allowing for an expected business as usual baseline of 3,000, is approximately 7,000. This number includes any backlog remaining from the project running in 2019-20. The ambition of this activity is to bring unprocessed leaver volumes down to circa 5,000 cases in total by the end of 2020/21.

Timescale	Key Milestone	Dates
	Baseline backlog cases for reporting purposes	April 2020

Aon clearance of approximately 1,250 cases	March 2021
Internal clearance of remaining cases	March 2021

**Budget required:** All internal costs will be met by the existing administration budget. Anticipated external costs of £300k will be met by an addition to the administration budget for 2020/21.

## Investments

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
INV1	Implement strategic allocation to Fixed Income	✓	✓	✓	✓		
INV2	Re-tender for investment consultancy services	✓	✓				
INV3	Continue development of the asset pool	✓	✓	✓	✓	✓	✓
INV4	Tender for an independent investment adviser	✓					
INV5	Review the Fund's Responsible Investment Policy	✓	✓	✓	✓	✓	
INV6	Review the Real Estate strategy			✓	✓		
INV7	Re-tender collaboratively with ACCESS partners to procure a global custody services provider	✓	✓	✓	✓	✓	

### INV1 - Implement strategic allocation to Fixed Income

This continues the work undertaken in 2019/20 looking at Multi Asset Credit managers, reviewing both managers in the asset pool and alternative best in class managers, with a view to recommending an allocation(s) for Pension Fund Committee approval and subsequent implementation.

Timescale	Key Milestone	Dates
	Agree scope and allocation(s)	May 2020
	Undertake manager selection	November 2020
	Implementation	March 2021

**Budget required:** All internal costs will be met by existing resources and are included within the Fund's budget. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund. Any further financial implications will be included in Pension Fund Committee reports as required.

### INV2 – Re-tender for investment consultancy services

The investment consultancy contract with Mercer LLC was extended in September 2017 for three years to 30 September 2020 and requires re-tendering in 2020/21 through the National LGPS Frameworks. This will be a joint procurement with the Northamptonshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

Timescale	Key Milestone	Dates
	Commence re-tender process	April 2020
	Arrange selection day	June/July 2020
	Complete procurement	September 2020

**Budget required:** All internal costs will be met by existing resources, other costs such as the fee for the use of the National Framework, procurement support and external legal support are estimated as £20k and have been provided for within the 2020/21 budget.

### INV3 – Continue development of the asset pool

The ACCESS asset pool development is a long-term project. 2020/21 will see the Fund's final liquid assets transfer into the pool as the remaining tranches of sub-funds are established in the asset pool. In parallel, ACCESS is developing a pool level solution for investing in illiquid assets, a continuation of the project that commenced during 2019/20, which is expected to continue throughout 2020/21 and beyond. Finally, officers are supporting the launch of an Emerging Markets equities sub-fund.

Timescale	Key Milestone	Dates
	Liquid Assets - Complete remaining tranches as they arise	March 2021
	Liquid Assets - Support the establishment of an Emerging Markets equities sub-fund	November 2020
	Illiquid Assets – Continue to support the illiquid assets pooling solution	2020/21 to 2021/22

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. A budget of £98k has been included in the 2020/21 Fund budget to cover ACCESS asset pooling costs rechargeable to the Fund, managed by the ACCESS Administration Support Unit. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund.

### INV4 – Tender for an independent investment advisor

In September 2019 the Investment Sub-Committee resolved to procure an independent investment advisor for the Fund.. The procurement commenced in quarter 4 of 2019/20 to facilitate an award of contract in time for the 2020/21 financial year.

Timescale	Key Milestone	Dates
	Complete tender	May 2020

**Budget required:** All internal costs will be met by existing resources and the estimated cost of service provision are included within the 2020/21 budget. External legal costs and procurement costs are estimated as £10k have been provided for within the 2020/21 budget.



## INV5 - Review the Fund's Responsible Investment Policy

Following significant developments in stakeholder expectation with regards to Responsible Investment (RI), the Fund will undertake training on current issues and best practice and reassess the RI beliefs of the current Pension Fund Committee and Local Pension Board. This will inform the development of the Fund's RI Policy and subsequent incorporation of this Policy into the Fund's Investment Strategy. The amended Investment Strategy will then be subject to consultation with stakeholders.

Concurrently the Fund will obtain an RI report to understand where the Fund benchmarks across the spectrum of RI matters, including environmental impact.

Timescale	Key Milestone	Dates
	Production of Responsible Investment benchmarking report	April to July 2020
	Deliver Responsible Investment Training (Information Day)	July 2020
	Undertake Responsible Investment beliefs survey	July 2020
	Develop Responsible Investment Policy	August 2020 to December 2020
	Incorporate Responsible Investment Policy into Investment Strategy	March 2021
	Consultation on revised Investment Strategy	April 2021 to June 2021

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

## INV6 – Review the Real Estate Strategy

The Fund's Real Estate investments comprise a multi manager mandate managed by CBRE and a Residential Private Rented Sector Fund managed by M & G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

Timescale	Key Milestone	Dates
	Commence the review	November 2020
	Complete the review and submit report to the Investment Sub Committee	May 2021

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

## INV7 - Re-tender collaboratively with ACCESS partners to procure a global custody services provider

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 to the chosen provider (if not the existing provider) before the expiry of the Fund's extended contract with Northern Trust. Delivery of this activity is firstly, dependent upon collaboration with fellow LGPS funds in the creation of a procurement framework and secondly with ACCESS partners in calling off the new framework. Note the Fund has extended its existing global custody arrangements until 30<sup>th</sup> September 2021.

Timescale	Key Milestone	Dates
	Work with other LGPS funds to create a framework	April 2020 to January 2021
	Work with ACCESS partners to call off a common custodian	July 2020 to June 2021
	Complete transition to the new Custodian (if required)	July 2021 to September 2021

**Budget required:** All internal costs will be met by existing resources and are included within the Fund's budget. The costs to be a founder on the framework (which is dependent on the number of founders) will be offset over time by other users calling off the framework. Any central ACCESS costs will be included in the ACCESS budget. Any further financial implications will be included in Pension Fund Committee reports as required.