

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

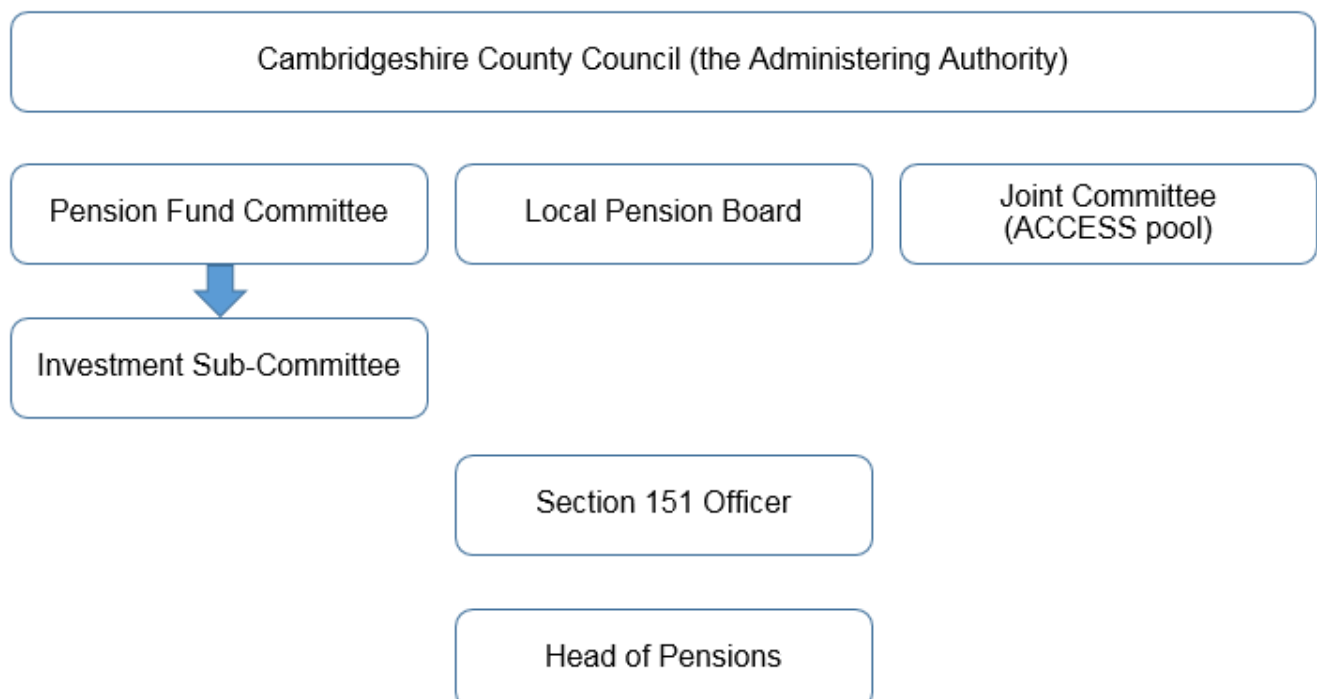
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

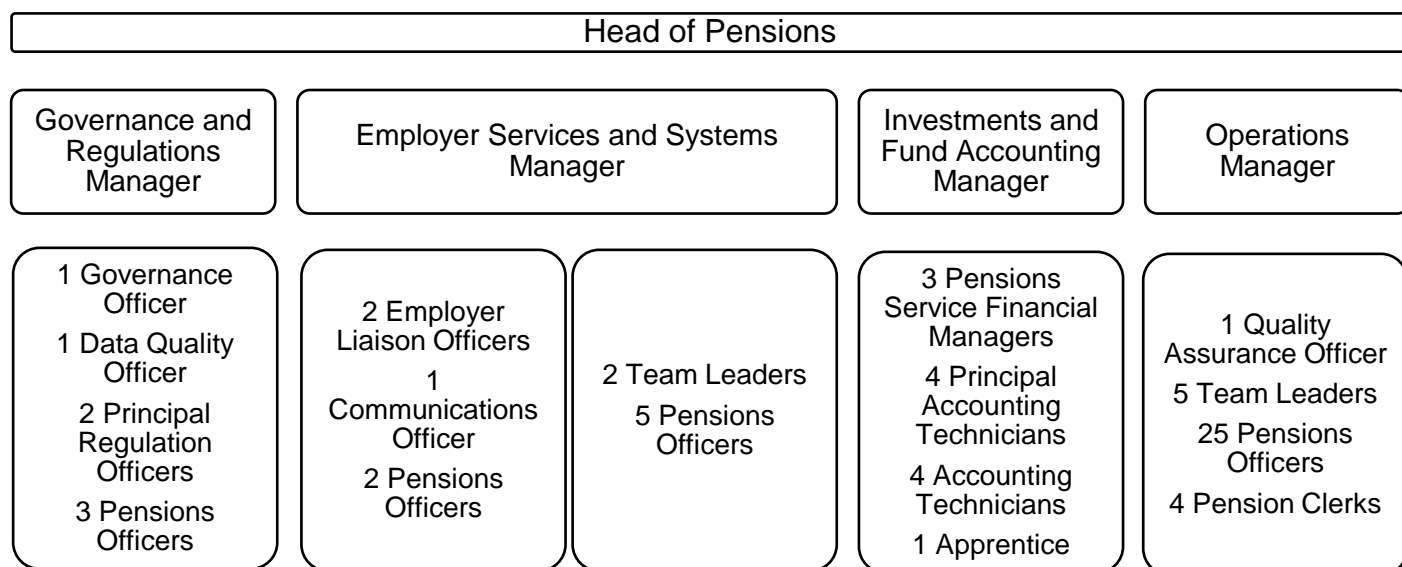
In 2012, the administration of the Cambridgeshire Pension Fund was merged with that of the Northamptonshire Pension Fund following the creation of LGSS, a shared service joint committee arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Funds, however remain as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

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) |
|------------|--|-----------------------|

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 |
|------------|----------------------|------------|

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 |
|------------|------------------|------------|

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.