

Cambridgeshire Pension Fund

Business Plan and Medium Term Strategy – 2021/22 – 2023/2024

Key Activities

Part 2

The key activities have been split into the following sections:

- Procurement of services
 - Re-tender for strategic investment advisory services
 - Re-tender for global custody services
 - Review contracts for actuarial, benefits and governance consultancy services
 - Re-tender for pensions administration and pensioner payroll platform
- Core governance activities
 - Review the Business Continuity Plan
 - Develop the Fund's cyber-resilience strategy
 - Obtain the Pensions Administration Standards Association (PASA) accreditation
- Scheme member and data projects
 - Complete the Guaranteed Minimum Pension Rectification
 - Prepare for the application of the McCloud age discrimination remedy
 - Prepare for the 2022 Valuation of the Pension Fund
 - Processing of undecided leaver records
 - Scope and conduct potential liability reduction exercises
- Scheme employer projects
 - Implement multiple investment strategies
 - Conduct specific employer covenant monitoring
- Investment related activities
 - Continue development of the asset pool
 - Review the Fund's Responsible Investment Policy
 - Review the Property Strategy
 - Review of performance reporting and benchmarks

Procurement of services

Re-tender for strategic investment advisory services

This continues the work undertaken in 2020/21 to re-tender the investment advisory services contract that is currently awarded to Mercer LLC that expires on 30 September 2021 by performing a mini competition on the National LGPS Framework. The November 2020 Investment Sub-Committee approved the timetable and the proposed contract term for the Consultancy re-tender and approved the launch of a re-tender for the Investment Management Performance Reporting contract currently provided by Mercer, should this be necessary. The RFQ for the Investment Consultancy contract was issued in February 2021 and responses from suppliers due in March 2021. The second stage supplier interviews are scheduled in March 2021 and the preferred supplier will be notified in early 2021/22.

This is 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.

Budget required: All internal costs will be met by existing resources, other costs such as the fee for the use of the National LGPS Framework, procurement support and external legal support are estimated as £25k and have been provided for within the 2021/22 budget.

Key Milestones	Dates
Notify successful supplier	April 2021
Complete Consultancy procurement / complete National Frameworks Order	June 2021
Complete Management Performance Reporting procurement/ complete National Frameworks Order, if required	June 2021
Transition/handover (including historical performance data)	July 2021 to September 2021
New contract begins	1 October 2021
Strategy health check	31 March 2022

Re-tender for global custody services

This continues the work undertaken in 2020/21 with Funds in the ACCESS pool to launch a revised framework for Global Custody Services under the National LGPS Frameworks. The Pension Committee approved in principle the collaborative procurement of a global custodian, alongside ACCESS partners, in sufficient time to transition the Fund's custody arrangements to the chosen provider (if a change from the current provider) before the expiry on 30 September 2021 of the Fund's extended contract with Northern Trust. Delivery of this activity is dependent upon collaboration with ACCESS partners in calling off the new framework.

Budget required: All internal costs will be met by existing resources and are included within the Fund's budget. The Fund's share of the Framework set-up costs estimated to be £17k are included in the 2021/22 budget and will be offset over time by fees paid by other users calling off the framework. Estimated costs for legal and procurement support for the Fund's call-off of £20k are also included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Work with ACCESS partners to call off a common custodian.	December 2020 to June 2021*
Complete transition to the new custodian (if required).	July 2021 to September 2021*

*Due to the collaborative nature of this procurement and time and resource pressures across the eleven ACCESS Funds these dates may slip and an extension of the existing arrangement required.

Review contracts for actuarial, benefits and governance consultancy services

The existing separate contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2023 with the option to extend for a further 12 months. Consideration will need to be given as to whether the separate contracts should be extended together at or if it is appropriate to conduct procurements earlier to tie in with future activity required from these contracts. The procurement will be on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Fund Committee at the time through an appropriate report.

Key Milestones	Dates
Decision whether to procure or extend each contract	June 2021

Retender for pensions administration and pensioner payroll platform

The Fund currently uses Aquila Heywood Ltd's Altair product as its pensions administration and payroll platform. The contract with Aquila Heywood Ltd was extended in September 2021 by a further three years to enable minimum disruption with the commencement of the Future Northants programme, the pandemic and the forthcoming work required of the age discrimination remedy (McCloud).

A competitive procurement process will need to be undertaken using the National LGPS Framework at least 18 months in advance of the end of the existing contract (September 2024) to ensure that there is sufficient time to complete a successful migration of data if a new supplier is procured.

Budget required: All internal costs in the procurement process will be met by the existing budget. Any external procurement and legal costs will be notified to the Pension Fund Committee at the time through an appropriate report.

Key Milestones	Dates
Obtain and complete National LGPS Framework documents	September 2022
Commence procurement process	1 April 2023
Award contract to successful supplier	1 October 2023
Start date of contract	1 October 2024

Core service and governance activities

Review Business Continuity Plan

The Business Continuity Plan (BCP) covering the Fund's governance and administration will need to be reviewed following the creation of the new unitary authority (and administering authority), West Northamptonshire Council on 1 April 2021 to ensure the arrangements previously in place remain so to support the delivery of the Pensions Service. In addition, it is now business as usual to ensure that the Fund's external suppliers such as those that provide and host the pensions administration and payroll platform, regularly supply detailed confirmation that they have satisfactorily carried out disaster recovery and penetration testing.

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

Key Milestones	Dates
Test resilience with the new administering authority's BCP	By October 2021
Scrutiny of business continuity arrangements by the Local Pension Board	November 2021
Update the Pension Committee on business continuity arrangements.	December 2021

Develop the Fund's cyber-resilience strategy

The Pensions Regulator and other industry bodies have expressed the concern that pension funds are not taking sufficient positive action to prevent themselves (including scheme members) from being victims of cyber-crime. In particular, the Regulator is concerned that LGPS Funds are relying too much on their respective administering authorities to put appropriate measures in place to protect Fund assets and data.

Work was undertaken in 2020/21 to assess the Fund's level of Cyber-Resilience through a survey conducted by a specialist cyber resilience team at Aon, the Fund's governance advisers. The survey results highlighted a number of activities to be undertaken to demonstrate improved resilience which will be undertaken during the course of 2021/22.

Budget required: All internal costs will be met by the existing budget. The external consultancy costs of this activity will be notified to the Pension Fund Committee via the Business Plan Update reports once known. All consultancy costs will be met by an addition to the existing administration budget.

Key Milestones	Dates
Develop a cyber-resilience strategy and action plan.	April to June 2021
Undertake mapping of data and asset flows.	April to June 2021
Submit survey to all suppliers detailed within the mapping of assets and data to ascertain their approach to cyber-resilience. Aon's specialist cyber-resilience team to analyse survey responses and provide feedback.	April to June 2021
Pension Fund Board to provide scrutiny of cyber-resilience strategy and action plan.	July 2021
Pension Fund Committee to approve cyber-resilience strategy and action plan.	October 2021

Obtain the Pensions Administration Standards Association (PASA) accreditation

Obtaining the PASA accreditation will demonstrate to the stakeholders of the Fund that quality operations are in place 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.

Budget required: Anticipated accreditation costs of £6k will be met by an addition to the budget in 2022/23.

Key Milestones	Dates
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

Scheme member data projects

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 was not able to commence during 2020/21 but is now ready to commence in 2021/22 but with the same anticipated completion date as previously estimated.

Budget required: An estimated cost of £20K has been included in budget for the remaining data work to be carried out by ITM Limited to enable efficient rectification of member records.

Key Milestones	Dates
Produce project plan to rectify the member records that require amendments.	April 2021
Implement project plan.	June to December 2021

Prepare for the application of the McCloud age discrimination remedy

As a result of the ruling in the McCloud it will be necessary for LGPS Funds to look at every affected to see if the impact of the remedy requires an amendment to the member's accrued benefits. MHCLG released a consultation in 2020/21 detailing proposed amendments to the LGPS regulations as a result of the remedy and a response to the consultation is still pending. It is understood that LGPS Funds will need to begin work on rectifying records in 2022/23 and in the meantime an exercise is required to collect data relevant to the accurate calculation of the remedy, namely, hour changes and breaks in membership, where this has not previously been provided by scheme employers.

Budget required: All internal costs will be met by the existing administration budget. Costs associated with the implementation stage of this activity will be included in the budget for 2022/23 when the resource and financial implications will be clearer.

Key Milestones	Dates
Issue data collection template to identified employers.	June 2021
Work with employers to collect the data required.	June 2021 to October 2021
Make necessary amendments to member records for previously missing data.	June 2021 to March 2022
Send communications to members (upon release of amended LGPS Regulations).	Expected to be April 2022 (pending guidance from MHCLG).
Application of the revised underpin (following release of amended LGPS Regulations).	Expected to commence in 2022/23 (MHCLG to provide guidance on this matter, including time period within which this work will be undertaken).

Prepare for the 2022 Valuation of the Pension Fund

Work with the Fund's actuarial advisors to develop requirements and plan for the triennial valuation of the Pension Fund. The valuation date is 31 March 2022 with results to be published by 31 March 2023 and new employer contribution rates effective from 1 April 2023.

Milestones will be expanded once valuation planning is complete.

Budget required: All internal costs will be met by the existing administration budget. Associated actuarial fees for the core valuation activities have been estimated in the budget. Any additional expenditure required will be notified to the Pension Fund Committee for approval at the appropriate time.

Key Milestones	Dates
Develop valuation plan with Fund Actuary	April to June 2021
Undertake pre-valuation activities	July 2021 to March 2022
Valuation of the Pension Fund	April 2022 to March 2023
Triennial valuation results published	31 March 2023
Implementation of revised employer contribution rates	April 2023 onwards

Processing of undecided 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 2) scheme employers providing late monthly reporting and 3) the volume of employer data that has to be queried.

The Fund will treat a case as a backlog case if it is six months or more from the date of notification by the scheme employer. Cases within six months of notification will be identified as business as usual cases. Statutory disclosure requirements are completed immediately on notification of an exit by the scheme employer.

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

Key Milestones	Dates
Baseline volumes and develop action plan	April to June 2021
Process cases in accordance with action plan	Throughout 2021/2022
Process cases in accordance with action plan	2022/2023

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 with the member not having claimed a refund) 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, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

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

Key Milestones	Dates
Conduct exercise (to review and offer refund options to members).	April 2021 to March 2022
Scope exercise, formulate project plan and conduct exercise (small commutable pensions).	April 2022 to March 2023

Scheme employer projects

Implement multiple investment strategies

With an increasing number and variety of scheme employer participating in the Fund it is prudent to consider whether greater flexibility is required to meet the different funding requirements of these scheme employers, who may have different investment risk appetites and whose scheme membership may have vastly differing levels of maturity. This project will look to create a small number of “investment buckets” into which different categories of scheme employer could be allocated.

This activity builds on the investigatory and scoping work carried out in 2020/21 and will now focus on working with employers to agree an appropriate strategy for each employer and implementing the agreed allocation ahead of the 2022 valuation of the Pension Fund.

Budget required: All internal costs will be met by the existing administration budget. Any Actuarial fees will be derived from the action plan and will be subject to approval by the Pension Fund Committee.

Key Milestones	Dates
Consider impact modelling by Fund Actuary.	April 2021 to May 2021
Pension Fund Committee to decide whether to proceed.	July 2021
Devise and implement action plan.	August 2021 to September 2022

Conduct specific employer covenant monitoring

Officers are working with the Fund Actuary and Price Waterhouse Cooper (PWC) to carry out covenant assessments of those employers consider to present the greatest financial risk to the Fund. This activity will involve engaging with the relevant employers to explain the process and collect information to allow PWC to carry out a covenant assessment and for the Actuary and PWC to advise on the results and appropriate actions to be taken.

Budget required: An additional cost has been added to the 2021/22 budget of approximately £15,000 to £20,000 is expected to be incurred for professional fees. Other internal costs such as liaison with scheme employers will be met by the existing budget.

Key Milestones	Dates
Issue and collect covenant monitoring questionnaire to relevant employers	April 2021 to June 2021
Issue collated responses to PWC for analysis	July 2021 to August 2021
Discuss results and next steps with the Actuary and PWC	September 2021 to October 2021
Incorporate results of covenant monitoring into 2022 valuation planning	November 2021 to March 2022

Investment related activities

Continue development of the asset pool

The ACCESS asset pool development is a long-term project. 2021/22 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.

The Fund has additional sub-fund requirements not yet part of the ACCESS launch plan. Engagement with ACCESS partners is required to promote these requirements, including around Responsible Investment, in order to achieve timely inclusion.

Dates for completion are dependent upon the approval of the Joint Committee for creating the necessary sub-funds, FCA approval and resolution of other limiting factors. The dates reflect the targets for submission of business cases for the respective sub-funds to the asset pool.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. A budget of £114k has been included in the 2021/22 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.

Key Milestones	Dates
Liquid Assets – implement tranches as they arise.	2021/22 to 2022/23
Illiquid Assets – Continue to support the illiquid assets pooling solution.	2021/22 to 2022/23
Promote the Fund's requirements.	2021/22 to 2022/23

Review the Fund's Responsible Investment Policy

This continues the work undertaken in 2020/21 to revise the Fund's Responsible Investment (RI) Policy for incorporation in the Investment Strategy Statement (ISS). The revised ISS will be issued for consultation during Q1 2021/22 and feedback considered by the Pension Fund Committee before final approval.

The Fund will also work with its advisers, partner ACCESS funds and Link to develop a governance and reporting framework to monitor compliance with the Fund's RI Policy.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

Key Milestones	Dates
Commence 30 day consultation with Fund stakeholders on the revised Investment Strategy Statement	April to June 2021
Pension Fund Committee approval of revised ISS	October 2022

Review the Property Strategy

The Fund's Property investments comprise a multi manager mandate managed by CBRE and residential investments in the Private Rented Sector and Shared Ownership property funds 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.

The output of the review will be used to inform the Fund's requirements from the ACCESS illiquid asset programme, the implementation of which will be dependent upon the path to migrate to the ACCESS solutions.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy and legal fees of £50k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Commence the review	October 2021
Complete the review and submit report to the Investment Sub Committee	February 2022
If a change to Strategic Allocation, approval by Pension Fund Committee	March 2022
Communicate the Fund's requirements to the ACCESS pool	April 2022

Review of Performance Reporting and Benchmarks

This review will focus on the efficient measurement of the Fund's wide-ranging investment mandates in order to appropriately gauge that those mandates are delivering expected levels of return and, indeed, meeting the strategic investment needs of the Fund. The existing performance reports are comprehensive and complex, however, there is concern that they contain inappropriate benchmark comparisons and complicate effective decision-making. Wider considerations such as delivery of responsible investment requirements further impact this subject.

The sources of information for performance reporting reflect the wide-ranging number of mandates the Fund has and the quality and timeliness of information available from those sources.

This review will evaluate the strengths and weaknesses of the current report and explore options to improve the quality and clarity of reporting.

The key participants will be the Fund's officers, the Fund's consultant and Independent Adviser utilising other third parties as required, with a report on the outcome presented to Investment Sub Committee members.

Budget required: All internal costs will be met by existing resources and are included within the 2021/22 budget. External costs for consultancy fees of £20k are included in the 2021/22 budget. Any further financial implications will be included in Investment Sub Committee reports as required.

Key Milestones	Dates
Commence the review	April 2021
Report to the Investment Sub-Committee	December 2021
Implement revised reporting	March 2022