

# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Board

**Date:** 3<sup>rd</sup> May 2019

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Business Plan Update report 2018/19</b>
<b>Purpose of the Report</b>	To present the Pension Fund Business Plan Update for the period to 31 <sup>st</sup> March 2019 to the Pension Fund Board.
<b>Recommendations</b>	The Board is asked to note the Pension Fund Business Plan Update for the period ending 31 <sup>st</sup> March 2019 of the 2018/19 financial year.
<b>Enquiries to:</b>	Joanne Walton, Governance and Regulations Manager <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium Term Strategy are provided to the Committee and Board on a regular basis. This update highlights the progress made on the key activities for the period up to 31<sup>st</sup> March 2019 of the 2018/19 Business Plan which was approved by the Pensions Committee on 28<sup>th</sup> March 2018.
- 1.2 A full list of the key fund activities for the 2018/19 financial year can be found in appendix 1 of this report.

## 2. Key Pension Fund Activities

### 2.1 Service Delivery (SD)

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
SD1	Review staff retention	✓G			
SD3	Implement additional posts	✓G			

#### 2.1.1 SD1 – Review staff retention

**Action** - Keep under review our ability to recruit and retain staff, ensuring any financial or reputational issues with a partner organisation do not adversely impact the governance and administration of the Fund and taking remedial action where necessary.

**Update** – As of end of March there have been no significant recruitment or retention issues to report. Approximately 60 permanent staff were on the staffing establishment in June 2018, and just 6 (10%) have left Pension Services. We have successfully managed to recruit specialist senior roles through both promotion and external recruitment.

**On target for completion?** Yes.

### 2.1.2 SD3 – Implement additional posts to structure

**Action** - Integrate four new posts into the LGSS Pensions structure to support combined LGPS administration to the Cambridgeshire and Northamptonshire Funds.

**On target for completion?** Completed. All posts have been recruited to.

## 2.2 Governance and compliance (GC)

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC4	Review Additional Voluntary Contribution fund range				✓G		
GC8	Guaranteed Minimum Pension reconciliation / rectification	✓G					
GC9	Pensioner administration v pensioner payroll records rectification	✓G				✓	

### 2.2.1 GC4 - Review Additional Voluntary Contribution (AVC) fund ranges

**Action** - The Fund has a responsibility to ensure that the range of investment choices offered by their AVC providers remain suitably diverse and appropriate in terms of annual charges and risk profiles. As such the Fund will appoint an external adviser to review and report on the fund ranges offered by the Fund's AVC providers Standard Life and Prudential and appropriate changes will be implemented accordingly.

**On target for completion?** Aon, the Fund's benefits and governance consultancy advisor were commissioned to conduct the review and have completed this work. A full report with a number of recommendations will be presented to the Pension Fund Committee at the June 2019 meeting, with the outcome being shared with the Board in July.

### 2.2.2 GC8 - Guaranteed Minimum Pension (GMP) reconciliation / rectification

**Action** - Following the introduction of the end of contracting-out on 6 April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by Her Majesty's Revenue and Customs (HMRC). HMRC is currently operating, until 31 December 2018, a reconciliation service in order for schemes to query and amend the data held.

**On target for completion?** All queries were submitted to HMRC by the deadline of 31<sup>st</sup> December 2018. Further information on this activity was in the Data Improvement Plan Progress report that was presented prior to this report.

### 2.2.3 GC9 - Pensioner administration v pensioner payroll records rectification

**Action** - In October 2016, the Fund migrated its pensioner payroll from the County Council's Oracle payroll solution to Altair payroll and in January 2017 the Altair pensioner administration records were merged with the Altair pensioner payroll records and following an analysis of the two sets of data a number of over and underpayments of pension were identified and require rectification.

**On target for completion?** Completed, the details of this activity were presented in the Data Improvement Plan Progress report prior to this report.

## 2.3 Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM5	Review resilience to cyber crime	✓G					
CSEM7	Development of employer resources	✓G				✓	
CSEM10	Preparation for the 2019 valuation			✓G			

### 2.3.1 CSEM5 - Review resilience to cyber crime

**Action** - Cybercrime is becoming an increasing threat to pension funds so it is important to review resilience to such attacks via both internally and externally hosted platforms.

**Update** – A presentation has been prepared about the Fund's resilience to cybercrime. The presentation identifies the procedures, arrangements and technology in place within LGSS, Cambridgeshire County Council and with partners such as Aquila Heywood and Hymans Robertson. The presentation also identifies potential weakness in relation to human error and proposes some steps to educate officers on how to minimise susceptibility to cybercrime.

**On target for completion?** Yes, the training presentation is being delivered at this meeting and subsequently to the Pensions Committee in June.

### 2.3.2 CSEM7 – Development of employer resources

**Action** - The Fund will continue to investigate and implement appropriate improvements to the resources available to employers for providing accurate and timely information, including expanding the monthly collection of data via i-Connect.

**Update** – 56.2% of Cambridgeshire Pension Fund employers are using i-Connect. One of the main payroll providers supplying services to employers recently started providing data via i-Connect. An initial i-Connect extract from another provider has been received but some work was required to bring this to an acceptable standard, this was completed at the end of April.

A pilot has been running since January to test the new online version of i-Connect for smaller employers. This was extremely successful in the first month and will be rolled out to more existing employers. All new employers will now only be given the two i-Connect options for providing the Fund with data.

**On target for completion?** The roll out of i-Connect to all remaining scheme employers is on track to be completed by 31 December 2019.

### 2.3.3 CSEM10 – Preparation for the 2019 valuation

**Action** - The Fund will work with the actuary to make preparations for the 2019 whole Fund valuation. This will include agreement of requirements and timescales for:

- engagement and training for officers and members of the Pension Committee and Local Pension Board
- communication and engagement with employers
- pre-valuation activities
- key activities and deliverables during the valuation
- actuarial assumptions
- disaggregation of employer pools

**Update** - Preparations for the 2019 valuation have begun with a number of pre-valuation activities now complete. A valuation update is on the agenda for this meeting with a presentation from the Fund Actuary delivered at the Pensions Committee meeting, to which Board members were encouraged to attend.

**On target for completion?** All activities are currently on track.

## 2.4 Operations

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
Ops1	Processing of undecided leavers	✓G			

### 2.4.1 Ops1 – Processing of undecided leavers

**Action** - The Fund has a number of undecided leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. An in-depth analysis of the unprocessed or partially processed records and an action plan to be formed to deal with each category is required.

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

## 2.5 Investments, accountancy and cash flow management

Reference	Key action/task	2018/19			
		Q1	Q2	Q3	Q4
IA3	Local direct investment	✓G			
IA4	Responsible investment	✓G			
IA5	Asset pooling			✓G	
IA6	Strategic Asset Allocation review	✓G			

### 2.5.1 IA3 – Local Direct Investment

**Action** - Appoint a manager to create a bespoke local investment fund for the Cambridgeshire Fund, capable of investing in a range of asset classes and to investment parameters agreed by the Pension Fund Committee. Appoint a consultant under Lot 2 of the investment consultancy National Framework to assist with the development of a procurement specification and to support an Official Journal of the European Union (OJEU) compliant manager procurement process.

**Update** - The 14<sup>th</sup> February 2019 Investment Sub Committee approved the appointment of the Foresight Group. Officers will work with Foresight to:-

- Design a detailed specification
- Undertake due diligence and legal advice
- Build a governance and monitoring framework, including an oversight Board

The next stage will be included in the 2019/20 business plan

**On target for completion?** Target Achieved for 2018/19.

### 2.5.2 IA4 – Responsible investment

**Action** - Implement full actions arising from Responsible Investment Information Day; to include signing up to UK Stewardship Code, increasing the Fund oversight of ESG (environmental and social governance) integration into investment manager decisions, and monitoring and reporting of investment manager voting.

**Update** – The original intention to sign up to the Stewardship Code was impacted by the delay in the issue of a revised Stewardship Code, the consultation for which is currently ongoing and the Funds discussion with ACCESS partner Funds in regard to a collaborative sign up through the asset pool. The Fund held a stewardship information day on the 13 February to consult with both the Pensions Committee and Local Pension Board. The outcome of this meeting was an clear indication from the meeting to progress signing up to the Stewardship Code, but to also take regard to the revised Stewardship Code when issued, and to consider working with likeminded Funds in ACCESS. A report on this matter will be presented at the May 2019 meeting of the Investment Sub Committee.

**On target for completion?** Target achieved for 2018/19.

### 2.5.3 IA5 – Asset pooling

**Action** - Progression of ACCESS asset pooling project in accordance with the ACCESS

project plan to deliver scale benefits, reduced costs and improved governance, meeting the Government asset pooling agenda.

**Update** - The development of the ACCESS asset pool continues to progress with the evolution of governance matters, in particular a governance manual which, will require a review of the Inter Authority Agreement, the creation of the ACCESS support unit, with a contract manager in place, and progress on the appointment of the Director position with technical leads being filled by officers across the partner Funds; and finally progress on the sub fund programme with implementation of tranche 2 ongoing and preparation to submit the third tranche prospectus to the Financial Conduct Authority (FCA).

**On target for completion?** Target achieved for 2018/19.

#### 2.5.4 IA6 – Strategic Asset Allocation review

**Action** - Undertake a full review of the strategic asset allocation of the Fund to ensure the Fund has an appropriate allocation between asset classes in light of its liabilities and funding level. Review to include the different role each asset class plays in the portfolio construction and an investigation into different solutions available for the Fund to invest in.

**Update** – The Pension Committee approved the revised asset allocation and the revised Investment Strategy Statement at the meeting of 22<sup>nd</sup> March 2019. Both are being presented at this meeting.

**On target for completion?** Target Achieved for 2018/19.

### 3. Relevant Fund objectives

- 3.1 Continually monitor and measure clearly articulated objectives through business planning.

### 4. Risk Management

- 4.1 The Pension Committee approves the Annual Business Plan and Medium Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Committee and Local Pension Board at every meeting.
- 4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

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

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

## 5. Communication Implications

<b>Direct Communications</b>	The Business Plan Update will be presented to the Pension Committee and Pension Board at its quarterly business meetings.
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## 6. Legal Implications

6.1 Not applicable

## 7. Consultation with Key Advisers

7.1 Consultation with the Funds advisers was not required for this report.

## 8. Alternative Options Considered

8.1 Not applicable

## 9. Background Papers

9.1 Annual Business Plan and Medium Term Strategy 2018/19 –

<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/01/AnnualBPandMTStrategyCPFExecutiveSummary2018-19.pdf>

## 10. Appendices

10.1 Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

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

## Appendix 1 – Full list of Key Fund Activities for the 2018/19 financial year.

### Service Delivery

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
SD1	Review staff retention		✓				
SD2	Obtain full Customer Service Excellence standard accreditation		✓			✓	
SD3	Implement additional posts		✓				

### Governance and Compliance

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
GC1	Legal services procurement		✓				
GC2	Mortality screening / member tracing services procurement			✓			
GC3	Soft market testing for administration and payroll system procurement						✓
GC4	Review Additional Voluntary Contribution fund range				✓		
GC5	The General Data Protection Regulation compliance	✓					
GC6	Data improvement plan			✓			
GC7	Liability reduction exercises					✓	
GC8	Guaranteed Minimum Pension reconciliation / rectification			✓			
GC9	Pensioner administration v pensioner payroll records rectification		✓			✓	

### Communications, Systems and Employer Management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
CSEM1	Employer covenant monitoring		✓				
CSEM2	Investigate and prepare for move to electronic communications as standard		✓				
CSEM3	Promotion of member self service		✓				
CSEM4	Monitoring/understanding the member experience	✓					
CSEM5	Review resilience to cyber crime	✓		✓			
CSEM6	<i>In-house hosting by LGSS IT</i>		✓				
CSEM7	Development of employer resources		✓			✓	



CSEM8	Investigation of HEAT	✓				
CSEM9	Implementation of ill health self-insurance/pooling	✓				
CSEM10	Preparation for the 2019 valuation			✓		

## Operations

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
Ops1	Processing of undecided leavers			✓			
Ops2	Establish ESCROW account for 'out of scheme' payments	✓					

## Investments, accountancy and cash flow management

Reference	Key action/task	2018/19				Medium term	
		Q1	Q2	Q3	Q4	2019/20	2020/21
IA1	Investment consultancy services re-tender					✓	✓
IA2	Global custody services re-tender					✓	
IA3	Local direct investment		✓				
IA4	Responsible investment		✓				
IA5	Asset pooling			✓			
IA6	Strategic Asset Allocation review		✓				

