

**Friday, 06 November 2020**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**14:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

### **COVID-19**

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will be held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

## **AGENDA**

**Open to Public and Press**

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
2. **View minutes here**  
[Cambridgeshire Pension Fund Board Minutes - 3 July 2020](#)
3. **Minutes Action Log** **1 - 6**
4. **Pension Committee Minutes 9th October 2020 for Board information** **7 - 18**  
**DECISIONS**
5. **Cambridgeshire Local Pension Board Annual Report 2019-20** **19 - 42**

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	<b>Pre-Scrutiny Reports</b>	
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<b>17.</b>	<b>Exclusion of Press and Public</b>	
	<i>To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 &amp; 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)</i>	

**18. Exempt report ACCESS AssetPooling Update**

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

The Cambridgeshire Pension Fund Board comprises the following members:

*For more information about this meeting, including access arrangements please contact*

Councillor Simon King (Chairman) Mr Barry O'Sullivan (Vice-Chairman) Mr David Brooks  
Councillor Denis Payne and Mr John Stokes and Councillor Elisa Meschini

Clerk Name:	Rob Sanderson
Clerk Telephone:	01223 699181
Clerk Email:	rob.sanderson@cambridgeshire.gov.uk





Cambridgeshire Local  
Pension Board

## Minutes - Action Log

This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Board to update Members on the progress on compliance in delivering the necessary actions. Action log updated as at 27<sup>th</sup> October 2020

### Minutes of 31<sup>st</sup> January and 3<sup>rd</sup> July 2020

Actions regarding Terms of reference, Board Size review and Recruitment of the Board from the above meetings have been consolidated into one report on the current October 2020 agenda. A standing Item on any outstanding issues will be included as an standing item on future Board agendas

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 31 <sup>st</sup> January 2020						
141.	Governance and Compliance Report	Michelle Oakensen	There was a request for officer guidance on which training events were relevant to who.		Ongoing  The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance has been delayed due to Covid-19. The revised policy is due to be presented to the Board in April 2021	April 2021

141.	Minutes Action Log	Michelle Oakensen	Councillor Payne indicated that he was not able to attend the July training session but would wish to receive the materials for the training session and to be sent the survey to enable him to complete and return it.		Completed.  The training was delivered via Zoom on 15 <sup>th</sup> July 2020 and material issued.	
142.	Cambridgeshire Pension Fund 2020-2021 Communications Strategy	Cory Blose	<p>To review the following points made on the Communications Strategy:</p> <ol style="list-style-type: none"> <li>1. The suggestion was that more information should be given on how the members could communicate with the Fund.</li> <li>2. To check the terminology on page 143 to determine whether where it refers to Pension Fund Boards and Investment Sub Committees if it should refer to Pension Fund Committee.</li> </ol>		Completed. Comments have been incorporated into the final document.	

142.	Cambridgeshire Pension Fund 2020-2021 Communications Strategy	Cory Blose	A number of members agreed that Member Self Service was not easy for people to find their way around and suggested that a short video should be produced for assistance.		Completed.  This was not a viable option due to the initial cost and the need to continually update when changes are made to the website. Focus on written material was deemed to be more beneficial. An accessibility review has been undertaken and where to find help made clearer.	
146.	Agenda Plan	Michelle Oakensen	In terms of IT issues there was to be a review of the Business Continuity Plan for either the April or July meeting.		<b>Ongoing.</b> On the agenda for April 2021	April 2021

<i>Minute</i>	<i>Report Title</i>	<i>Action for</i>	<i>Action</i>	<i>Comments</i>	<i>Status</i>	<i>Due date</i>
<b>Minutes of 3<sup>rd</sup> July 2020</b>						
152.	Internal Audit Report	Jo Walton	Officers to check whether the action on the 'Pensions Payroll Suspense' account has been completed.		Completed.  Processes are now in place to make this a business as usual activity.	

153.	Administration Performance Report	Jo Walton	On the variances against the forecast of investments and administration expenses table the Board had concerns at the size of the increase of Audit Costs and there was a request that officers should continue to revisit the 200% figure and pass on the Board's concerns to the auditors.		Completed.  It is understood that this matter is being dealt with by the Council's Audit Committee.	
153.	Administration Performance Report	Jo Walton	In reference to the key performance indicators there was a question of why the target had only been set at 90% rather than 100%. As a follow on, a question was raised on how the target of 90% had been arrived at? It was agreed to provide an explanation response outside of the meeting.		Completed.  This matter was addressed in the meeting. The KPIs and associated targets are in line with industry standards as endorsed by CIPFA.	
154	Governance and Compliance Report	Paul Tysoe	Investment policy decisions was raised in regards to employee and employer engagement and in continued discussion, one member stated that he found it difficult to answer questions put to him regarding disengagement. The Board agreed that a more proactive approach to seeking views from Employers and scheme members on disengagement should be adopted by the officers.	This question will be considered in the ongoing review of the Funds Investment Strategy Statement.	Ongoing  Included in the Investment Strategy Statement review	March 2021/June 2021.

154	Governance and Compliance Report	Councillor King  Jo Walton	<p><b>a)</b> Councillor King explained that Cambridgeshire County Council had been proactive in setting up anti scam champions and offered to email the pensions officers the co-ordinator's details.</p> <p><b>b)</b> Councillor King highlighted how useful he found the on-line training modules on avoiding being scammed and asking if they were being circulated to all Board Members. It was confirmed this was the case and officers would continue to keep members informed of sessions that were available.</p>		<p>a) To be advised by Cllr King.</p> <p>b) All relevant training continues to be notified to members of the Board by email.</p>	
156.	Governance and Administration Risk Management in light of the Coronavirus pandemic	Jo Walton	Councillor Payne raised his concerns about data security in respect of home working and assumed staff had been trained accordingly. He had particular concerns regarding the risks associated with not receiving virus updates if using stand-alone laptops and personal routers. Officers undertook to find out and report back on what safeguards for viruses were in place and how often they were updated.		<p>Ongoing.</p> <p>Seeking clarification from IT, a verbal update will be provided at the meeting if information is available.</p>	
157.	Agenda Plan	Michelle Oakensen	It was explained that due to the pandemic officers had not had the chance to assess the updates need to the agenda plan but would ensure an updated version would be sent around in August.		Completed . Circulated 21 <sup>st</sup> August 2020.	



## MINUTES OF THE PENSION FUND COMMITTEE

Date: Friday 9<sup>th</sup> October 2020

Time: 9.30am – 12.35am

Venue: Virtual Meeting

Present: County Councillors P Downes (part of meeting only), I Gardener (Vice-Chairman), T Rogers (Chairman) and M Shellens; Cambridge City Councillor R Robertson; Lee Phanco, Matthew Pink and John Walker

Officers: B Barlow, C Blose, D Cave, F Coates, M Oakensen, P Tysoe, J Walton and M Whitby

Apologies: Councillors Hay and Seaton

### 207. DECLARATIONS OF INTEREST

Councillor Robertson declared an interest as his wife was in receipt of a small pension.

### 208. PUBLIC MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD 23<sup>rd</sup> JULY 2020

The minutes of the Pension Fund Committee meeting held on 23<sup>rd</sup> July 2020 were approved as a correct record.

With regard to the Action Log, it was noted that an explanation on administration expenses had been circulated (item 200) and that the Administration Performance Report now included an explanation of the Red/Amber/Green ratings (item 201).

The Action Log was noted.

### 209. ADMINISTRATION PERFORMANCE REPORT

The Committee considered a report which set out a number of key areas of administration performance.

An Amber Key Performance Indicator (KPI) was noted in relation to maximum number of estimates, this assessment related to an absent report, and actions had been taken to ensure this did not happen again.

In terms of late payments to the fund, there had been few issues, although there had been discussions with the one small employer referred to in the confidential appendix.

In response to questions:

- A Member queried the slight reduction in the original timescale for action on unprocessed leaver records. Officers confirmed that despite maintaining the service pretty much as usual since the pandemic had commenced, some of the backlog of project work had not been dealt with as per the original timescale. There was a significant influx of additional cases since the end of August so this was likely to be Red rated;
- With regard to a similar reduction in relation to contracted liabilities, the issue was the same but this was a resource issue for HMRC, not the Pensions team;
- In response to a question on the £12M variance in investment income. It was confirmed that this should be listed as a negative figure, due to the decline in investment income;
- With regard to the “vacancy factor lower due to Covid 19” under staff related administration, it was confirmed that normally the budget allowed for three vacancies, but because of Covid-19, there was reduced staff turnover, and the team was carrying a fuller establishment than usual. This was offset to some extent by a reduction in agency staff.

It was resolved unanimously to:

Note the Administration Performance Report

## 210. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2020- 21

The Committee considered an update to the Business Plan for the period 1<sup>st</sup> April to 31<sup>st</sup> August 2020.

Members noted that progress had been made on many aspects of the Business Plan, especially around investment, but less progress had been made on some of the operational case work projects. Specifically:

- A full review of the business continuity plan was currently taking place;
- The administration and payroll contract with Heywood had been extended to 2024 so that all aspects of the contract were now coterminous;
- Work had been undertaken with regard to having multiple investment strategies to provide flexibility for the different scheme employers. This was scheduled for Committee in December;
- Although there had been a small reduction on unprocessed leaver forms, Aon had only commenced processing Tranche 2 of the backlog in August 2020, again due to the pandemic;



- Much of the strategic investment work was progressing in line with the original timeframe, including the development of the asset pool, and the strategic allocation to fixed income;
- Interviews had recently taken place for the post of Independent Advisor, and the Chairman advised that there had been a very strong field;
- Responsible Investment was an increasingly important area of the Fund's work, and the policy was being developed following the survey. There was clearly a lot of interest in this area, and Members were encouraged to contact officers if they received queries on Responsible Investment and related issues;
- A Member asked about the reference to the Digital Strategy review being carried out over a three year period, and asked whether everything would be presented at the end of the review, or whether there would be incremental changes as it progressed. It was confirmed that whilst some elements would take three years to complete, there were some parts of the Digital Strategy that would be brought back for consideration as and when completed;
- A Member pointed out that there were elections in May 2021, and this should be taken into consideration when training was being planned, as there could be significant changes to Committee membership. Officers thanked the Member and reassured the Committee that they were cognisant of this point, and they would be scheduling training so that Members were appropriately trained to make the decisions they were being asked to make.

It was resolved unanimously to:

Note the Business Plan Update to 31st August 2020.

## 211. GOVERNANCE AND COMPLIANCE REPORT

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

Members noted that good progress had been made with the Good Governance Review. Following the Information Day held in March 2020, the Scheme Advisory Board had requested that Hymans Robertson work on more detailed implementation proposals with the working group focussing on specific areas of the Good Governance review.

Following a Supreme Court ruling, the government recently decided that surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members would receive benefits equivalent to those received by widows of opposite sex marriages. A more recent case had highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where

male survivors of female scheme members would now be entitled to a lower survivor benefit than a comparable same sex survivor. The government has concluded that changes are required to public service pension schemes to address this discrimination. The team would need to revisit all members who could be affected back to December 2005.

LGPS amendment regulations had come into force in September, providing more flexibility for Funds to manage risk in 3 key areas: (1) Inter-valuation reviews of employer contributions; (2) spreading of exit debts; (3) Deferred Debt Agreements

Members noted the results of the LGPS National Knowledge Assessment. Financial markets and product knowledge had been the best area of Member knowledge, whilst actuarial methods standards and practices the worst, and Pension administration had also scored relatively poorly.

Members' attention was drawn to Appendix 3 of the report, which detailed forthcoming training events. It was noted that some events were being published by providers at short notice, but the pensions team always notified Members as soon as they were aware. There was a query about how Members determined whether a training event was worthwhile. Officers advised that events that were communicated via officers were always ones which were useful. However, some Members were also on providers' mailing lists and they sent through information directly – in those cases, Members could always contact Jo or Paul to see if those events would be useful.

It was noted that a new Knowledge and Skills Policy would be presented to the Committee within the current financial year.

Members considered a presentation on Exit Payment Reform in the LGPS. In 2015, the government announced plans to cap exit payments in the public sector. This included a proposal for a £95K cap on the total of all forms of compensation, including redundancy payments, pension strain, compromise agreements and special severance payments. "Pension Strain" was the cost to the employer of paying a member's accrued pension to the date of redundancy, without any early retirement reductions that would have otherwise applied. Pension strain could vary between £1,000 to £300,000 depending on the member's individual circumstances i.e. length of service, salary and time until normal retirement age.

Following a period of inactivity, a consultation was issued by the Treasury in 2019, and the response to the consultation was published in July 2020. On 07/09/20, MHCLG issued a consultation on reforming local government exit pay in the LGPS. The proposal could impact negatively on individuals aged 55+ who are made redundant, who would normally receive their accrued pension immediately and in full, as the employer would make a payment to the pension fund (the pension strain). The proposal from MHCLG would involve:

a) A maximum tariff for calculating exit payments of three weeks' pay per year of service;

- b) A ceiling of 15 months (66 weeks) on the maximum number of months' or weeks salary that can be paid as a redundancy compensation payment, with discretionary lower limits;
- c) A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed on an annual basis using an appropriate mechanism.

The proposed Treasury regulations, if approved by Parliament, could come into force before the MHCLG has even finished its consultation. This could leave staff aged 55+ whose redundancy had already been agreed with effect from the end of October in an uncertain position. This was of immediate concern in Northamptonshire in particular, where significant redundancies were being actioned as the county moves to two unitary authorities, and the redundancy and pension estimates had been based on existing legislation. Worked examples were given showing the likely impact on individuals at different ages in different circumstances in terms of salary, service, etc.

The major concern was that this could take effect in the next few weeks. The Scheme Advisory Board has asked its legal advisors if it should be paying out on this basis before LGPS regulations change.

Members expressed grave concerns about the proposed new arrangements, which although originally aimed at addressed inequitable pay outs to high earners, appeared to have a disproportionately adverse impact on employees on more modest incomes, effectively making them choose between redundancy payments and maintaining their pension. It was noted that the Pension team were unable to provide financial advice to employees, they could only set out the options available. The regulations would be adding resource pressures and bureaucracy to what was already a difficult process. It was confirmed that in terms of cashflow for the Pension Fund, there should be no negative effect, as the proposals should be cost neutral. However, clarity was required for how the team should operate in the interim period.

A Member suggested that the impending changes needed to be communicated to scheme employees, but others suggested that clarity was needed before such communications were issued. Officers reassured the Committee that as soon as the new arrangements were actioned, scheme members would be informed.

A Member queried if the £95K cap would only apply to local government exit payments, i.e. it would not apply to employers who were not local authorities. Officers confirmed that the immediate focus was on local authorities and reforming local government exit pay, but given the language being used, it may have a wider scope in future. It was also noted that the exit cap was for "public sector employers", but the likelihood that would be applied to other admission bodies was quite low. The Member observed that there were a wide range of complex situations which would need to be considered individually e.g. where staff had been TUPE'd in, and smaller employers may need help in interpreting the new legislation.

The Chairman thanked officers for their presentation, particularly on the £95K cap issue, and asked them to keep the Committee informed as the situation unfolded.

It was resolved unanimously to:

Note the content of the report.

## 212. AGE DISCRIMINATION REMEDY IN THE LGPS (MCCLOUD) AND COST CAP MECHANISM (UPDATE)

The Committee considered updates on the age discrimination remedy in the LGPS as a result of the legal case brought by McCloud and on the paused cost control mechanism.

The McCloud case relates to the transitional protections given to scheme members of the Judges and Firefighters' Pension Scheme, who in 2012 were within ten years of their normal retirement age. The protections were introduced as part of the public service pension schemes reform. However, in 2018, the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. Members who had been discriminated against would need to be offered appropriate remedies to ensure they were placed in an equivalent position to the protected members. Such remedies would involve raising the benefits of unprotected members rather than protected members' benefits being reduced. The report set out the detail of the specific actions required.

Aon had been commissioned to undertake a high level initial analysis of the likely impact on scheme members as a result of the likely remedy. Their analysis showed that nearly a quarter of members would be impacted by the remedy, comprising around 17,500 active, deferred and pensioner members of the scheme. The Fund has the records on hours and service breaks for its scheme members, but this relied on accurate information being provided by employers, some of whom were no longer in the scheme. The appendix to the report highlighted the likely issues in implementing the McCloud remedy, which included additional governance, training, software and administration requirements. In terms of timescales, the administrative impact from McCloud could be open-ended.

The Public Service Pension Schemes Act 2013 required public service pension schemes to include an employer cost control mechanism to protect the taxpayer from unforeseen increases in scheme costs. Preliminary valuations of new schemes established 'employer cost caps' in each public service scheme expressed as a percentage of pay. In the LGPS the cost cap was set at 19.5% of which 13.5% of pay represented the employer cost and 6.5% of pay was the scheme member cost. However, following McCloud case, the government announced a pause to the cost control element of the 2016 valuations in January 2019, due to the uncertainty around member benefits arising from the court judgements making it impossible to assess the value of the schemes to members with any certainty.

Discussing the implications of the McCloud case, individual Members:

- Observed that there was a considerable burden on the fund in terms of administration. Officers agreed, advising that the requirement for the current year was data collection, the majority of which was already available. Next year there would be considerable work updating that data;
- Queried how much the average pension payment may change in response to McCloud for those affected, i.e. whether it would have a significant impact on the Fund in terms of cashflow. Officers confirmed that the actual difference in benefits was minimal, with few scheme members receiving an uplift as a result of the remedy. In future, more scheme members may come into the scope of McCloud, although the values involved in these uplifts were generally very low, but the administrative burden was considerable;
- Observed that the administrative burden of McCloud and the Exit Payment Reform on the Pensions team's resources was considerable, but there were legal requirements that must be complied with;
- Asked what would happen if e.g. an employer had ceased trading. Officers confirmed that they were seeking clarification on issues such as employers who had ceased trading, and it may be the case that an estimate would need to be provided in those cases.

It was resolved unanimously to:

Note the report

## 213. UPDATE TO FUNDING STRATEGY STATEMENT

The Committee considered a report on changes required to the Funding Strategy Statement and Discretions Document.

The Funding Strategy had been updated to reflect new regulations in terms of the Administering Authority exercising discretion when an exit credit was payable, and set out the process that would be applied in those circumstances. The government had issued backdated legislation giving the Fund discretion to take into account a number of factors when determining whether an exit payment should be paid, and if so, the level of those payments, depending on factors such as changes in market conditions, contributions paid, risk sharing agreements, etc. The proposed exit payment policy outlined the process that would be followed in those cases.

Arising from the report:

- one Member asked for clarification as to whether the wording of the proposed amendment was standard to all LGPS funds. Officers advised that the wording was unique to the Cambridgeshire Fund, as it took into account the local policy, although most Funds would have similar wording, depending on the advice of their actuarial and legal advisors;
- a Member queried what would happen if there was a shortfall rather than an exit payment. It was confirmed that this was already covered within existing regulations and policies. The default position was to expect recovery in the event of a shortfall if the risk sat with the exiting employer, unless there was an arrangement where the risk sat with another body.

It was resolved to

1. approve the amendments to the Funding Strategy Statement;
2. approve the updating of the Administering Authority Discretions document to reflect the new policy.

## 214. CAMBRIDGESHIRE PENSION FUND 2020-21 COMMUNICATIONS STRATEGY

The Committee considered the Cambridgeshire Pension Fund Communications Strategy for 2020-21. The Strategy had been reviewed and updated and the main changes to the document were set out within the report.

It was resolved unanimously to:

approve the Communications Strategy

## 215. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2019-20 financial year. Revised documents had been circulated with a number of non-material changes, prior to the meeting.

The Fund's auditors, EY, had completed their audit fieldwork of the Pension Fund Statement of Accounts but have not yet fully completed their review work. EY had issued a draft ISA260 report which confirmed that no issues were identified during their fieldwork.

Individual Members raised the following issues:

- Noting that a number of companies had halted their dividend payment, asked what impact the reduction of dividend payments would have on investment income for 2020-21.

Officers advised that there was no firm indication at this stage with respect to dividend payments for the year. Performance over the previous quarter has been reported back to the Investment Sub-Committee, and there were pressures currently on all assets allocations;

- Noted that the draft accounts had been published on website prior to 1<sup>st</sup> September 2020. The Annual report would be published by 1<sup>st</sup> December;
- Discussed performance after the final quarter, when performance had fallen away. In terms of liquidity, the Pension Fund's asset allocation remained highly liquid, but had been moving assets into more illiquid assets such as Alternatives recently. It was difficult to look at the assets in isolation, as investments are quite fluid, and reduced returns from investments was a very different situation to the Fund being 'cash flow negative', and there being a need to use funds that were invested to subsidise benefits. It was noted that the 'investment income' line could be quite misleading. The Member acknowledged this point, but commented that it was necessary to have contingency policies sorted out soon. Officers commented that whilst it had been a testing year in terms of extreme liquidity stress since March 2020, cash was still held on account and the Fund was not at risk;
- A Member suggested that it should be made clear that the equity protection and currency hedging, referenced in the Chairman's Forward, was for risk management purposes;
- In response to a Member query, it was clarified that the 'primary rate' was determined retrospectively by the actuary from all costs, including administration and consultancy;
- Observed that the annual pensioner payroll write off amount was 0.07% over the last four years, but this was a total of £200K;
- Despite reducing the allocation to equities over recent years, in 2019/20 it increased by 2%. It was suggested that there were various reasons, including the relative performance of asset classes, so if equities performed well compared to other assets, the proportion held would increase accordingly;
- Noted the investment return compared to LA universe indicated that the Fund's equities were better than LA universe;
- Councillor Shellens requested a colour version of chart showing the Fund's performance compared to benchmark returns and the average investment return achieved by the Local Authority Universe over 1, 3, 5 and 10 year periods. ACTION REQUIRED;

- Queried the reduction in Sterling in the Currencies section. Officers agreed to investigate and respond. ACTION REQUIRED;
- Queried the expectation of strong growth in 2021, in the light of the current Covid-19 situation. It was agreed that this statement needed to be revisited.

It was resolved unanimously to:

Approve the Draft Annual Report and notes the Statement of Accounts of the Pension Fund for the 2019-20 financial year.

## 216. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of six admission bodies, and the cessation of twelve bodies. It was confirmed that none of the admission bodies were discretionary. There were no deficit payments required to be collected in relation to any of the cessations.

In response to a Member question, it was clarified that Peterborough Limited was a subsidiary of Peterborough City Council that had been set up as a trading arm.

It was resolved unanimously to:

1. Note the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements:

- ABM Catering (x 3)
- Easy Clean Contractors
- Lunchtime Company Ltd
- Peterborough Limited

2. Note the cessation of the following bodies from the Cambridgeshire Pension Fund:

- ABM Catering (x2)
- Alliance in Partnership Ltd
- Aspens Ltd
- Caterlink
- Easy Clean Contractors (x2)
- Lunchtime Company Ltd (x3)
- Pabulum Ltd
- Visit Cambridge & Beyond



## 217. EXCLUSION OF PRESS AND PUBLIC

It was resolved that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information).

## 218. STRATEGIC ASSET ALLOCATION – MULTI ASSET CREDIT

The Committee considered a report which recommended a change in the strategic asset allocation to Fixed Income (Multi Asset Credit) from 7% to 10% and the reduction in the allocation to Equities from 58% to 55%.

It was resolved unanimously to:

- 1) Notes the report;
- 2) Approves the increase in strategic allocation to Fixed Income (Multi Asset Credit) from 7% to 10% and the reduction in the allocation to Equities from 58% to 55%;
- 3) Instructs the Head of Pensions with the support of Mercer to take all practical steps to implement the decision.

## 219. ACCESS ASSET POOLING UPDATE

Members considered a report on ACCESS Asset Pooling. The reports for the most recent ACCESS meetings had been circulated recently.

It was resolved to:

1. Note the minutes from the ACCESS Joint Committee meeting of the 17th July 2020;
2. Note the asset pooling update following the JC meeting of the 7th September 2020;
3. Approve an amendment to the Operator agreement to accede to Link's request to relax the Standard & Poor's credit rating requirement of their Professional Indemnity and Crime insurance cover to A- as part of a package to include the incorporation of additional KPIs, to be negotiated by the Contracts Manager; and
4. Approve an amendment to Schedule 4 of the Operator Agreement to incorporate specified additional KPIs as negotiated by the Contracts Manager.



## Pension Fund Board

Date: 6th November 2020

Report by: Democratic Services Manager

Subject:	Cambridgeshire Local Pension Board Annual Report 2019-20
Purpose of the Report	To consider the Annual Report for the Cambridgeshire Local Pension Board.
Recommendations	The Board is asked to approve its Annual Report 2019-20.
Enquiries to:	Michelle Rowe <a href="mailto:michelle.rowe@cambridgeshire.gov.uk">michelle.rowe@cambridgeshire.gov.uk</a>

## 1. Background

- 1.1 Each Administering Authority has the prime responsibility for establishing its Local Pension Board and it is therefore appropriate and consistent with good governance for the Local Pension Board to report to the Administering Authority.
- 1.2 The reporting requirements will be for each Administering Authority to determine and could include reporting and communicating with a range of individuals and decision making bodies. This could include communication with internal and external audit as well as reporting to audit committee and full Council if appropriate. The agreed reporting requirements should be reflected in the Local Pension Board's terms of reference.
- 1.3 The Board have agreed, as part of its Standing Orders which are included in the Council's Constitution, that it will publish an annual report of its activities for that year.

## 2. Annual Report

- 2.1 A copy of the draft Local Pension Board Annual Report which provides a summary of the work of the Board is attached at Appendix 1. The Board is asked to consider the Annual Report and raise any comments accordingly.
- 2.2 Once finalised the Annual Report will be presented to full Council in December. The report will also be published on the Council's website and the Pension Fund website.

## 3. Background Papers

- 3.1 Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales

## 4. Appendices

- 4.1 Appendix 1 – Annual Report



## Appendix 1

### Cambridgeshire Pension Fund Board Annual Report 2019-20

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## Chairman's Foreword

It is my pleasure, as Chairman of the Cambridgeshire Pension Fund Board, to introduce the fifth Cambridgeshire Pension Fund Board Annual Report, for 2019-20. The Board was established in accordance with the Public Service Pensions Act 2013. Our task is to assist Cambridgeshire County Council by making sure it is administering the Local Government Pension Scheme effectively and efficiently, and is compliant with the law.

I was delighted to be appointed Chairman by the Board for a third year. Although we started the reporting year like any other, the situation changed following the declaration of the largest public health emergency in generations. The Covid-19 emergency meant that we were also unable to meet in April 2020. However, I am pleased to confirm that all Cambridgeshire Pension Fund Board meetings are now taking place virtually.

As Chairman, I am keen for the Board to continue to work hard to protect both the interests of the Pension Fund and its members. I am grateful for the commitment and support of the current members of the Board but these members cannot continue forever. I am therefore looking for new members so that when the time is right we can continue to provide continuity of membership. So if you find this area of work interesting please do not hesitate to contact me.

I am confident that the dedication and commitment of the Board members will continue into 2020-21 in order to assist Cambridgeshire County Council in maintaining the high standards of the administration of the Fund. This commitment is demonstrated by the exceptionally high attendance at meetings this last year, and the Board's commitment during these uncertain times to now attend meetings virtually.

I welcome comments and feedback on the Local Government Pension Scheme from both employers and members, and encourage them to raise any issues of concern directly with me.

Councillor Simon King  
Chairman of Cambridgeshire Local Pension Board

# Background

The Public Services Pensions Act 2013 requires all Public Service Pension Schemes to establish a Local Pension Board to assist the Administering Authority (Cambridgeshire County Council) to:

- secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- ensure the effective and efficient governance and administration of the LGPS.

The Cambridgeshire Local Pension Board is in addition to the existing Cambridgeshire Pension Fund Committee. It is a non-decision making body and is designed to act as a critical friend to the existing Committee and Investment Sub-Committee.

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 relating to the creation and ongoing operation of the local pension boards were laid before Parliament on 28th January 2015 and came into force on 20th February 2015.

The Cambridgeshire Local Pension Board was established by Cambridgeshire County Council (the administering authority) at its full Council meeting on 24th March 2015. The first meeting of the Board was held on 16th July 2015.



## Role and Remit

The role and remit of the Cambridgeshire Local Pension Board is to assist Cambridgeshire County Council (the administering authority) by making sure it is administering the Local Government Pension Scheme effectively and efficiently and, in doing so, is complying with relevant laws and regulations. The Board does this by reviewing the policies and practices that Cambridgeshire County Council has adopted and checking them against the applicable regulations, as well as comparing them to examples of best practice elsewhere.

## Governance Compliance Statement

Each Administering Authority must have in place a Governance Compliance Statement that sets out whether it delegates its functions, or part of its functions, under the Regulations to a committee, a sub-committee or an officer of the authority. Where the Administering Authority does delegate its functions, the statement must include:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings;
- whether such a committee or sub-committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights;
- the extent to which a delegation, or the absences of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- details of the terms, structure and operational procedures relating to the Local Pension Board.

# Constitution and Membership

Cambridgeshire County Council approved the terms of reference for the Cambridgeshire Local Pension Board on the basis that the Board is a stand-alone authority. With the assistance of the Local Pension Board, it has also approved standing orders for the Board. [A copy of both documents is available at the following link](#) (see from page 6)

A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. At its meeting on 24th March 2015, Cambridgeshire County Council agreed to establish a Local Pension Board with three employer representatives and three scheme member representatives. The term of appointment for all members is four years or until qualification for membership ceases.

The method of appointment is two employer representatives to be appointed by Cambridgeshire County Council Full Council and all other members to be appointed via an open and transparent selection process. An application pack containing the terms of reference and an outline of the knowledge and understanding and capacity requirements is available and advertised to employers and members within the Fund in a way that is compliant with the requirements set out in the Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales whenever a new member is recruited. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer or her representative determines that the representative has the required attributes to carry out the role effectively. At the request of the Board, the Monitoring Officer has agreed that the Chairman/woman and Vice-Chairman/woman of the Board can be involved in the interview process.

The membership of the Board is as set out overleaf:

## Employer Representatives



Councillor Simon King  
Cambridgeshire County Council Conservative Group  
[Simon.King@cambridgeshire.gov.uk](mailto:Simon.King@cambridgeshire.gov.uk)  
Appointed: 23 May 2017



Councillor Elisa Meschini  
Cambridgeshire County Council Labour Group  
[elisa.meschini@cambridgeshire.gov.uk](mailto:elisa.meschini@cambridgeshire.gov.uk)  
Appointed: 15 May 2018



Councillor Denis Payne  
Histon and Impington Parish Councillor  
[cllr.denis.payne@gmail.com](mailto:cllr.denis.payne@gmail.com)  
Appointed: 3 February 2017

## Scheme Member Representatives



David Brooks

Former Vice- Principal –Business of The Thomas Deacon Academy

[David.jf.brooks@talk21.com](mailto:David.jf.brooks@talk21.com)

Appointed: 21 October 2015

Reappointed: 3 May 2019



Barry O'Sullivan

Cambridgeshire County Council, Customer Service Advisor

[Barry.O'Sullivan@cambridgeshire.gov.uk](mailto:Barry.O'Sullivan@cambridgeshire.gov.uk)

Appointed: 16 July 2015

Reappointed: 3 May 2019



John Stokes

Former Senior Architectural Technologist

[johnjstokes@btinternet.com](mailto:johnjstokes@btinternet.com)

Appointed: 16 July 2015

Reappointed: 3 May 2019

The Chairman/woman and Vice-Chairman/woman of the Board are elected by the Board on annual basis.

The current Chairman is Councillor Simon King and the Vice-Chairman is David Brooks.

The Board has met three times during the period of this Annual Report.

The attendance record for members of the Board is detailed below:

#### Employer Representatives

Date	Councillor Simon King	Councillor Elisa Meschini	Councillor Denis Payne
5 July 2019	Attended	Attended	Attended
4 October 2019	Attended	Attended	Attended
31 January 2020	Attended	Attended	Attended
24 April 2020	Cancelled due to Covid-19	Cancelled due to Covid-19	Cancelled due to Covid-19

#### Scheme Member Representatives

Date	David Brooks	Barry O'Sullivan	John Stokes
5 July 2019	Attended	Attended	Attended
4 October 2019	Attended	Attended	Attended
31 January 2020	Attended	Attended	Attended
24 April 2020	Cancelled due to Covid-19	Cancelled due to Covid-19	Cancelled due to Covid-19

# Code of Conduct and Conflicts Policy

Cambridgeshire County Council (the Administering Authority) is required to prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the 'Seven Principles of Public Life' (known as the Nolan Principles).

The elected and co-opted members of a local authority are governed by their local authority's code of conduct for councillors. This code is required of every local authority by the Localism Act 2011 and sets out the standards of behaviour expected of individuals in their capacity as councillors. In addition, there is a legal obligation for councillors to disclose, in a register maintained by the authority's monitoring officer, certain pecuniary interests, as defined in regulations made under the 2011 Act. Both of these requirements apply to any members of a Local Pension Board who are also councillors of a local authority. They do not apply to members of a Local Pension Board who are not Councillors unless they are specifically adopted in terms of reference or other policy document to apply to the other members of the Board.

The Cambridgeshire Local Pension Board has agreed formally, at its meeting on 21st October 2015, to adopt the Cambridgeshire County Council Code of Conduct for all members of the Board. [A link to the completed code of conduct forms for County Councillor Board members is available here](#)

The code of conduct forms for non-County Councillor members are retained by the Democratic Services Officer, Rob Sanderson, supporting the Board.

It is not anticipated that significant conflicts of interest will arise in the same way as would be the case if the Board was making decisions on a regular basis (compared, for example, to a Pension Fund Committee). However, officers will take steps to identify, monitor and manage conflicts effectively. At its meeting on 20 April 2018, the Board agreed a formal Pension Fund Conflicts of Interest Policy, under which a register of conflicts of interest will be maintained and published on the administering authority's website.

# Knowledge and Understanding

In accordance with Section 248A of the Pensions Act 2004, every individual who is a member of a Local Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS)
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Each individual must have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Cambridgeshire County Council (the Administering Authority) is required to make appropriate training to Local Pension Board members to assist them in undertaking their role and where possible support all members of the Board in undertaking that training. The Board approved a Knowledge and Understanding Policy Framework for Cambridgeshire Pension Fund Board Members at its meeting on 21 October 2015.

The Pensions Regulator has provided an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other learning. The majority of members of the Cambridgeshire Local Pension Board have already completed the Pension Regulator's Toolkit, which is a compulsory requirement under the Knowledge Management Policy. [Members who have not completed the Toolkit have been contacted with a reminder and provided with the following link](#)

The Local Pension Board is required to keep appropriate records of the learning activities of individual members and the Local Pension Board as a whole. This will assist members in demonstrating their compliance, if necessary, with the legal requirement and how they have mitigated risks associated with knowledge gaps. It is a statutory requirement to include details of the training undertaken by members of the Pension Fund Board in the Fund's Annual Report. In addition, this information may be required by other agencies such as the Pensions Regulator from time to time.

A schedule detailing the training undertaken by Cambridgeshire Local Pension Board members is detailed below:

Member	Event	Date
Cllr Simon King [Appointed 23 May 2017]	Statutory and non-statutory policies – training item	23/02/2018
	Cross Pool Open Forum	27/03/2018
	CIPFA Training Day	09/05/2018
	Introduction to the LGPS	26/09/2018
	Completion of the Pension Regulator's Toolkit	29/09/2018
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Cyber Resilience	03/05/2019
	Monitoring and Maintaining Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	Valuation Presentation (Committee)	10/10/2020
	LGPS Investment costs and risk management (virtual)	03/06/2020
	Schroders Training Session (virtual)	19/06/2020
	Schroders Training Session (virtual)	26/06/2020
	Investment Training Day	15/07/2020
Cllr Elisa Meschini [Appointed 15 May 2018]	CIPFA Training Day	04/07/2018
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Cyber Resilience	03/05/2019
	Monitoring and Managing Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	Pension Investment Day	15/07/2019
Cllr Denis Payne [Appointed 3 February 2017]	Completion of the Pension Regulator's Toolkit	28/02/2017
	Training Needs Analysis	07/03/2017
	Local Pension Board Two Years on Seminar	28/06/2017
	Pension Information Day	05/07/2017
	LGC Investment Summit	07/09/2017
	Pension Information Day	06/10/2017
	Pension Information Day	22/11/2017
	Employers Forum	29/11/2017
	Pension Information Day	07/02/2018
	Statutory and non-statutory policies – training item	23/02/2018
	Local Pension Board three Years on Seminar	27/06/2018
	CIPFA Training Day	09/05/2018
	LGC Investment Summit	07/09/2018
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Cyber Resilience	03/05/2019
	PLSA Local Authority Conference	13/05/2019



Member	Event	Date
	Local Pension Board Annual Event	26/06/2019
	Monitoring and Maintaining Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	LGC Investment Seminar	06/09/2019
	Pension Information Day	06/03/2020
	Schroders Training Session (virtual)	12/06/2020
	Schroders Training Session (virtual)	19/06/2020
	Schroders Training Session (virtual)	15/07/2020
	Investment Information Day	15/07/2020
Barry O'Sullivan [Appointed 16 July 2015]	LGA Local Pension Board Training	21/05/2015
	LGSS Joint Local Pension Board Training	01/09/2015
	UBS First Steps	03/11/2015
	UBS Second Steps	03/11/2015
	LGSS Valuation Training	03/02/2016
	Local Pension Board Seminar	29/06/2016
	Pension Ombudsman Case Study - Training item	22/07/2016
	Completion of the Pension Regulator's Toolkit	02/02/2016
	LGC Investment Seminar	03/02/2017
	Local Pension Board Two years on Seminar	28/06/2017
	Pension Information Day	05/07/2017
	Unison Eastern Regional pensions forum	22/09/2017
	National LGPS Seminar	10/01/2018
	Pension Information Day	06/10/2017
	Pension Information Day	22/11/2017
	Training Needs Analysis	06/12/2017
	National LGPS Seminar	10/01/2018
	Statutory and non-statutory policies – training item	23/02/2018
	CIPFA Training	09/05/2018
	CIPFA Training	04/07/2018
	LGC Investment Summit	06/09/2018
	UNISON LGPS Seminar	11/12/2018
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Local Pension Board Annual Event	26/06/2019
	Monitoring and Managing Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	LGC Investment Seminar	08/09/2019
	Investment Information Day	09/10/2019
	Pension Information Day	06/03/2020
	Pension Information Day (virtual)	15/07/2020

John Stokes [Appointed 16 July 2015]	LGA Local Pension Board Training	21/05/2015
	LGSS Joint Local Pension Board Training	01/09/2015
	LGSS Pensions Liability Driven Investment & Passive Investment Training Day	27/10/2015
	LGSS Valuation Training	03/02/2016
	Completion of the Pension Regulator's Toolkit	
	Schroders Trustee Training	10/06/2016
	Pension Ombudsman Case Study - Training item	22/07/2016
	LGC Investment Seminar	02/03/2017
	Local Pension Board 2 Years on Seminar	28/06/2017
	LGC Investment Summit	07/09/2017
	Pension Information Day	06/10/2017
	Pension Information Day	22/11/2017
	Training Needs Analysis	06/12/2017
	LAPFF Conference	06/12/2017
	CIPFA Training	09/05/2018
	CIPFA Training	12/09/2018
	LAPFF Conference	05/12/2018
	LGPS Governance Conference	17/01/2019
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Cyber Resilience	03/05/2019
	Monitoring and Maintaining Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	LGC Investment Seminar	06/09/2019
	Investment Information Day	09/10/2019
	LAPFF Annual Conference	4-6/12/2019
	Investment Information Day	15/07/2020
David Brooks [Appointed 21 October 2015]	Completion of the Pension Regulator's Toolkit	17/02/2016
	Pension Ombudsman Case Study - Training item	22/06/2016
	14th Annual Trustee Conference	29/06/2017
	Pension Information Day	06/10/2017
	Training Needs Analysis	06/12/2017
	Statutory and non-statutory policies – training item	23/02/2018
	CIPFA Training	09/05/2018
	CIPFA Training	12/09/2018
	Internal Dispute Resolution Procedure	15/02/2019
	Investment Presentation	15/02/2019
	Cyber Resilience	03/05/2019
	Monitoring and Managing Outsourced Providers	01/07/2019
	Valuation Presentation	01/07/2019
	Investment Information Day	17/07/2019

A Local Pension Board is also required to prepare and keep updated a list of the core documents recording policy about the administration of the Fund and make sure that the list and documents (as well as the rules of the LGPS) are accessible to its members.

[The LGSS Pensions Team has prepared such a list for Cambridgeshire Local Pension Board members, which is available here.](#)

In October 2018, the Board had opportunity to feed into the proposed Training Strategy and in December 2018 this was approved by the Pension Fund Committee. The Strategy is based on a training credits concept reflecting a mix of training from e-learning to training days which recognises people's commitments.

# Reporting Breaches of the Law to the Pensions Regulator Policy

In accordance with section 70 of the Pensions Act 2004, certain individuals must report to the Pensions Regulator as soon as reasonably practicable where that individual has reasonable cause to believe that:

- a duty which is relevant to the administration of the LGPS, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with; and
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any its functions.

This obligation directly applies to each individual who is a member of the Local Pension Board. The Local Pension Board must therefore have effective arrangements in place to meet its duty to report breaches of law.

At its meeting on 21st October 2015, the Cambridgeshire Local Pension Board was informed that, in line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes), the Fund has developed a policy that sets out the mechanism for reporting breaches of the law.

The policy ensures that those with a responsibility to report breaches of the law are able to meet their legal obligations, by analysing situations effectively in order to make an informed decision on whether a breach has been made.

As the Cambridgeshire Pension Fund Board does not have decision making powers, the Board is not able to approve this policy. Instead it reviewed the Policy on 21st October 2015 before it was approved by the Pension Fund Committee at its meeting on 22nd October 2015. It also reviewed the policy on 6th July 2018 recommending changes to the Pension Fund Committee.

[A copy of the "Reporting Breaches of the Law to the Pensions Regulator Policy" is available here.](#)

## Work Programme 2019-20

The Cambridgeshire Local Pension Fund Board has met three times in 2019-20, on 5th July 2019, 4th October 2019, and 31st January 2020.

### Board Meeting – 5th July 2019

This was the first meeting of the Board in the municipal year. At the meeting, the Board considered a report on the administration performance of the Cambridgeshire Pension Fund, and took a particular interest in any late payments to the Fund. It also considered a report on the governance of the Local Government Pension Scheme, as well as potential, new, amending and overriding legislation that would have an impact on how the Scheme was managed, and on Scheme members' benefits.

The Board reviewed the current risks facing the Fund, in particular cyber risk. It was proposed that there should be specific entry relating to "cyber risk" on the Risk Register.

In addition, the Board considered reports on monitoring and managing outsourced providers, ACCESS asset pooling, and reports considered by the Pension Fund Committee.

### Board Meeting – 4th October 2019

The Board requested its future succession arrangements be reviewed as early as possible, as there could not be an expectation that the three current Scheme Members would wish to serve for a further four year term after 2023. As a way forward, it was proposed to ask the current members a year before their term of office came to an end to indicate if they would wish to continue. Based on this, an advance recruitment exercise has been undertaken which will involve communications being included in an e-mail sent to all members notifying them that their annual statement is available

The Board reviewed the Digital Communications Strategy before it was presented to the Pension Fund Committee for approval. Members queried how those members not comfortable with electronic communications would be kept informed and were reassured to note that when new members joined the Fund they were given the choice of which format they wished to receive.

Members also received reports on the Valuation of the Pension Fund, Pension Fund Annual Business Plan Update, Administration Performance Report, Governance and Compliance Report, Data Improvement Plan Progress Report, Risk Management, Anti-Fraud and Corruption Policy Review, Pension Fund Annual Report and Statement of Accounts and an update on ACCESS Asset Pooling.

## Board Meeting – 31st January 2020

The Board asked officers to investigate whether the Pension Fund Committee would be declaring a Climate Change Emergency. It is not clear whether any Local Authority Pension Committee has declared such an emergency, rather that it would be for the administering authority to make such a declaration.

In addition, Members received reports on the Administration Performance, Pension Fund Annual Business Plan Update, Risk Monitoring, Governance and Compliance Report, Cambridgeshire Pension Fund 2020-2021 Communications Strategy, Valuation Fund and an update on ACCESS Asset Pooling.

# Work Programme 2020-21

The Cambridgeshire Local Pension Board maintains a work programme (agenda plan) which is considered at every meeting. The Work Programme for 2020-21 is as set out below:

## 3 July 2020

- Internal Audit Report
- Administration Performance Report
- Governance and Compliance Report
- Pension Fund Annual Business Plan and Medium Term Strategy 2019-20 to 2021
- Governance and Administration Risk Management in light of the Coronavirus pandemic

## 6 November 2020

- Administration Report
- Business Plan Update
- Governance and Compliance Report
- Risk Monitoring
- Business Continuity Plan review
- Data Improvement Plan 2020/21
- Communication Strategy 2021/21
- Funding Strategy Statement
- McCloud Remedy
- Asset Allocation
- Annual Report and Statement of Accounts
- Asset Pooling
- Terms of Reference and Appointment review
- Local Pension Fund Board Annual Report

## 22 January 2021

- Administration Report
- Business Plan Update
- Governance and Compliance Report
- Risk Monitoring
- Terms of Reference and Appointment review
- Aon action plan conclusions
- Administration Strategy
- Overpayment of Pension Policy
- Admissions, Cessations and Bulk Transfer Policy
- Cambridgeshire Pension Board Effectiveness Review
- External Audit

April 2021

- Administration Report
- Business Plan Update
- Governance and Compliance Report
- Risk Monitoring
- Terms of Reference and Appointment review
- Business Continuity Plan review
- Training Strategy
- Review of the Investment Strategy Statement
- Payment of Employee and Employer Contributions Policy



# Key Officers supporting the Local Pension Board

## Head of Pensions

Mark Whitby

[MWhitby@northamptonshire.gov.uk](mailto:MWhitby@northamptonshire.gov.uk)

## Governance & Regulations Manager

Joanne Walton

[JWalton@northamptonshire.gov.uk](mailto:JWalton@northamptonshire.gov.uk)

## Governance Officer

Michelle Oakensen

[MOakensen@northamptonshire.gov.uk](mailto:MOakensen@northamptonshire.gov.uk)

## Democratic Services Manager

Michelle Rowe

[michelle.rowe@cambridgeshire.gov.uk](mailto:michelle.rowe@cambridgeshire.gov.uk)

## Democratic Services Officer

Rob Sanderson

[rob.sanderson@cambridgeshire.gov.uk](mailto:rob.sanderson@cambridgeshire.gov.uk)



## Pension Fund Board

Date: 6th November 2020

Report by: Democratic Services Manager

Subject:	Review of the terms of reference and update on the appointment of representatives.
Purpose of the Report	To present the review and update to the Board.
Recommendations	<p>The Board is asked to:</p> <ol style="list-style-type: none"> <li>1) Review and endorse the proposed amendments to the Terms of Reference listed at 1, 2, and 4 in paragraph 2.2</li> <li>2) Note the progress made on recruiting a new scheme member representative.</li> </ol>
Enquiries to:	Rob Sanderson <a href="mailto:rob.sanderson@cambridgeshire.gov.uk">rob.sanderson@cambridgeshire.gov.uk</a>

## 1. Background

- 1.1 In 2019, the Pension Fund Board underwent an effectiveness review which was conducted by Aon, the Fund's governance advisors. The review recommended that the terms of reference included a more detailed description of the role of the Board and also included details of quoracy requirements.
- 1.2 The Board supported the recommendation but in addition also raised that the terms of reference would benefit from a full review, as it had not been reviewed since it was put into operation in 2015.
- 1.3 Succession planning has also been raised as a concern by representatives of the Board following notice being given from a scheme member representative which would result in a vacant position becoming available in early 2021. In order to have a seamless transition, the Board requested a proactive approach to filling the role.
- 1.4 This report identifies improvements to the terms of reference (section 2) and the progress made on recruiting a new scheme member representative to the Board (section 3).

## 2. Review of the Pension Fund Board terms of reference

- 2.1 Members' views on the current terms of reference were sought in October 2019. (See Appendix 1 for the current Terms of Reference) Action to review the terms of reference was delayed initially due to other pressures and then as a result of the pandemic.
- 2.2 From the feedback and review, the following changes are proposed:
  - 1) To increase the quorum from two representatives to three (half the Board membership)\_ , with a minimum of one member representative and one employer representative;
  - 2) To have an expenses protocol in place – see appendix 2 for the proposal;
  - 3) To keep the terms of reference included as part of the Cambridgeshire County Council Constitution following research and conclusions from other administering authorities who all follow the same practice;

- 4) To appoint substitute scheme member representatives to the Board who will have voting rights when deputising for a scheme member representative of the Board.
  - 5) Substitutes for the scheme employer representatives will be considered at a later date.
- 2.3 The following points were raised by the Fund's governance advisors, Aon, for further discussion where necessary:
- To include examples of the role of the Board in the terms of reference – This is not standard practice, as terms of reference define the purpose and structure of a committee meeting only. The Board's Annual Report provides examples of the role of the Board and is where people can be referred to if they require greater detail. The Board are invited to provide any further comments on this point.
  - To ensure the quorum of the Board was documented – this is documented in the rules of procedure section of the terms of reference in the Constitution.
  - To ensure the Local Pension Board has sight of the reports presented to the Pension Fund Committee – Board members have access to reports of the Committee and also have an open invitation to attend meetings.
- 2.4 The next steps following the outcome of this meeting will be to either draft revised terms of reference and take them to the Constitution and Ethics Committee on the 28th January and to Full Council on the 16th March 2021 for approval, or to accelerate the process by consulting the Constitution and Ethics Committee to obtain approval to take the changes directly to the December Council meeting
- 2.5 Following approval by Full Council, the Cambridgeshire Pension Fund Governance Policy and Compliance Statement will be updated and published on the LGSS Pensions website, as required by statutory guidance.
3. Appointment of Scheme Member Representative
- 3.1 Following the intention of a scheme member representative to step down early from the Board in 2021, a recruitment exercise was initiated in July 2020. An advertisement (Appendix 3) was published on the LGSS Pensions website and signposted to both scheme employers and scheme members who have registered an email address. The advertisement was also published in the active scheme member newsletters.
- 3.2 As a result of this successful new approach, Democratic Services received over 60 requests for application forms and 13 submissions were returned. The 13 submissions were reviewed and 7 candidates were shortlisted for interview.
- 3.3 Interviews were held on the 27 October with Councillor King, David Brooks and Dawn Cave from Democratic Services on the interview panel to appoint a new scheme member representative and two substitute scheme member representatives.
- 3.4 An update on the recruitment process will be provided at the meeting.

#### 4. Relevant Pension Fund Objectives

- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 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 managed in a changing environment.

#### 5. Risk Management

5.1 The Pension Fund Committee and Pension Fund Board are required to attend meetings and gain appropriate skills and knowledge to facilitate informed decision making and challenge appropriately when required.

5.2 The risks associated with not having appropriate representation have been captured in the Fund's risk register as detailed below.

Risk No	Risk mitigated	Residual risk
8.	Those charged with governance are unable to fulfil their responsibilities effectively.	Green
17.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	Green

5.3 The risk register can be found here - [Risk Register](#)

#### 6. Finance & Resources Implications

6.1 None.

#### 7. Communication Implications

- |         |                                                                                                                                                                          |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Website | The terms of reference document can be found on the CCC democratic service pages. The advert for the Local Pension Board member was placed on the LGSS Pensions website. |
| Direct  | The signposting for the Local Pension Board advert was emailed to employers and members. In addition an article was included in the active member newsletter.            |

#### 8. Legal Implications

8.1 Not applicable.

## 9. Consultation with Key Advisers

9.1 Democratic Services Manager.

## 10. Alternative Options Considered

10.1 There are no alternative options to be considered

## 11. Background Papers

11.1 Aon Local Pension Board review [Aon Local Pension Board review](#)

11.2 Conclusions of Aon Local Pension Board review  
[Conclusions on Aon Local Pension Board Review](#)

## 12. Appendices

12.1 Appendix 1 – Current Terms of Reference

12.2 Appendix 2 – Pension Fund Board expenses protocol

12.3 Appendix 3 - Pension Fund Board advertisement

### Checklist of Key Approvals

Has this report been cleared by Head of Pensions?

Mark Whitby – 22<sup>nd</sup> October 2020

## Appendix 1 Extract from County Council Constitution

### 9.2 PENSION FUND BOARD

The Council shall establish a local pension board with the following membership and powers:-

#### Membership

Representatives of	Number of seats	Term of Appointment	Method of Appointment
Employers	3	4 Years or until qualification for membership ceases	At least two representatives to be appointed by Cambridgeshire County Council Full Council  One representative appointed via an open and transparent selection process.
Scheme Members	3	4 Years or until qualification for membership ceases	To be appointed via an open and transparent selection process.
Total	6		

Delegated Authority	Statutory Reference/ Condition
Authority to assist the administering authority in securing compliance with (i) the Principal 2013 Regulations, (ii) any other legislation, and (iii) requirements imposed by the Pensions Regulator in relation to the Scheme.	Local Government Pension Scheme (Amendment) Regulations 2014 (Regulation 106(1)(a) & (b))
Authority to assist the administering authority in ensuring the effective and efficient governance and administration of the Scheme.	As above (Regulation 106(1)(b))

The Chairman/woman and Vice-Chairman/woman of the Board shall be elected by the Pension Fund Board.

## Rules of Procedure for the Pension Fund Committee, Investment Sub-Committee and Pension Fund Board

The Council's Rules of Procedure set out in Part 4 of the Constitution apply to the Pension Fund Committee, the Investment Sub-Committee and Pension Fund Board, except where they concern the following matters:

- Frequency of meetings
- Appointment of Chairman/woman and Vice-Chairman/woman
- Voting rights
- Quorum
- Training requirement

In which case the rules are modified as necessary to accommodate the provisions set out in the table below.

Frequency of Meetings	<p>The Committee will meet a minimum of five times a year. The date, hour and place of routine meetings shall be fixed by the Committee, but the Chairman/woman may call additional meetings if deemed necessary.</p> <p>The Investment Sub-Committee will meet a minimum of four times a year. The date, hour and place of routine meetings shall be fixed by the Committee, but the Chairman/woman of the Sub-Committee may call additional meetings if deemed necessary.</p> <p>The Board will meet a minimum of four times a year. The date, hour and place of routine meetings shall be fixed by the Board, but the Chairman/woman may call additional meetings if deemed necessary.</p>
Chairman and Vice-Chairman's Term of Office	<p>The normal term for the Pension Fund Committee and Board's Chairman/woman and Vice Chairman/woman shall be one year subject to earlier removal by vote of the Pension Fund committee or Board respectively.</p>
Voting Rights	<p>All Committee Members, Investment Sub-Committee Members and Board Members shall have the right to vote in their respective meetings.</p>
Quorum	<p>5 (1/3 plus 1) Committee Members shall form a quorum for meetings of the Committee.</p> <p>4 (1/3 plus 1) Investment Sub-Committee Members shall form a quorum for meetings of the Investment Sub-Committee.</p> <p>2 (1/3) Board Members shall form a quorum for meetings of the Board (shall include one each from the employer and member sides).</p> <p>No business requiring a decision shall be transacted at any meeting of the Committee or Investment Sub-Committee or Board unless the meeting is quorate. If it arises during the course of a meeting that a quorum is no longer present, the Chairman/woman shall either suspend business until a</p>



	quorum is re-established or declare the meeting at an end and arrange for the completion of the agenda at the next meeting or at a special meeting.
Training Requirement	Members may not take part in meetings of the Pension Fund Committee, Investment Sub-Committee or Board unless they have complied with any training requirements set out by the Chairman/woman of the Pension Fund Board or for Board members as set out in the Public Services Pensions Act.

## Appendix 2 - Proposed Pension Fund Board expenses protocol

Members of the Pension Fund Board can claim expenses for activities undertaken in their roles in accordance with the following –

### Travel Expenses

- Travel by private vehicles will be reimbursed at the rates set for tax allowance purposes by HMRC for business travel. Currently these are 45p per mile for the first 10,000 miles and 25p a mile thereafter and an additional 5p per mile where a passenger is carried.
- Parking fees and public transport fares will be reimbursed at cost on production of a valid ticket or receipt. In the case of travel by rail, standard class fare or actual fare paid (if less) will be reimbursed.
- Taxi fares will only be reimbursed on production of a valid receipt. Taxis should only be used where use of an alternative is not available or if the following conditions are applicable:
  - There is a significant saving in official time;
  - The representative has to transport heavy luggage or equipment; and/or
  - Where representatives are travelling together and it is therefore a cheaper option.
- Travel expenses will only be reimbursed if claimed from the Pension Fund within two months.

### Subsistence expenses

- Overnight hotel accommodation must be booked through the Pension Fund who will ensure that accommodation is booked at the appropriate market rate. Higher rates of accommodation will only be booked where it is clearly in the Fund's interest and formal approval has been given in advance by the Head of Pensions. Any other reasonable and unavoidable costs related to overnight stays will be reimbursed on production of a receipt.
- Meals will only be reimbursed in relation to Pension Fund Board business where meals are not included as part of an event/meeting as follows -
  - Lunch – over a 4-hour period (home to home) where the start time covers the hours 11am-3pm to a maximum of £10 upon production of a receipt.
  - Dinner – over a 4-hour period (home to home) where the start time covers from 3pm onwards to a maximum of £15 on production of a receipt.

## Appendix 3 Advertisement wording

Would you like a say in the governance of your pension?

The Local Pension Board's role is to help Cambridgeshire County Council to manage the Local Government Pension Scheme (LGPS). The board has three scheme member and three employer representatives. Their responsibility is to make sure the scheme is compliant with the regulations and other governance and administration legislation set by the Pensions Regulator.

We'll have a vacancy for a scheme member representative in early 2021 and are looking for people who may be interested in filling this role.

You're welcome to come to a board meeting to see how it works and if it's something you might be interested in (you wouldn't need to take part).

You'll also be able to talk to the current board members to find out about the role first hand.

We're looking to recruit the new board members by the end of 2020. If successful, you'll review the decisions of the Pension Fund Committee and Investment Sub-Committee, and review and recommend changes to draft policies. Board meetings regularly receive reports on:

- Administration updates on the running of the Fund including:
  - Achievement against key performance indicators
  - Whether any employers had failed to make the required contributions to the Fund or been late in making them
  - Details of new employer entries to the Fund and also departures
  - Any breaches of the law
  - New legislation affecting the operation and management of the Fund as well as benefits payable to scheme members
- The Pension Fund's business plan and medium term strategy
- Monitoring of the Pension Fund risk register and
- Updates on investment performance and the value of the Fund

The board meets a minimum of four times a year. You don't need to have any previous knowledge of pension scheme management, just an ability to be objective, able to work in a team and able to analyse information effectively.

This is a voluntary role and you'll be given full training and any background information you need to help you carry it out. If successful, you'll also be recommended to attend relevant pension related national conferences where the fees, attendance and travel will be paid for. This is in addition to having your reasonable travelling expenses to board meetings paid for.

With the current government restrictions in place with face to face meetings, it's important you have access to appropriate technology to participate in virtual meetings and video conferencing.

You can find more information on the [Cambridgeshire Committees and Board page](#) of our website.

If this interests you and you wish to be considered please request an application form and information pack, by contacting Rob Sanderson on 01223 699181 or email: [rob.sanderson@cambridgeshire.gov.uk](mailto:rob.sanderson@cambridgeshire.gov.uk)

Pension Fund Board

Date: 6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Data Improvement Policy
Purpose of the Report	To review the changes made to the Data Improvement Policy
Recommendations	That the Pension Fund Board reviews the revisions to the Data Improvement Policy
Enquiries to:	Jo Walton – Governance and Regulations Manager E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.2 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.3 The Public Service Pension Act 2013 came into effect on 1 April 2014 and increased the powers of the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration.
- 1.4 The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a Data Improvement Plan to address any issues.
- 1.5 To demonstrate to the Pensions Regulator that the Fund has reviewed the quality of its data and has an ongoing approach to ensuring the Fund has appropriate processes in place to consistently hold accurate data, a Data Improvement Policy and a Data Improvement Plan have were put in place in October 2018.
- 1.6 Due to a number of process improvements it has been necessary to review and update the Data Improvement Policy.
- 1.6 The draft revised Data Improvement Policy for review by the Pension Fund Board before it is presented to the Pension Fund Committee for approval can be found in appendix 1.

## 2. Data Improvement Policy - revisions

- 2.1 The following revisions have been made to the Data Improvement Policy:

- 2.1.1 Data Audit (section 11.2) – this section has been revised to remove the independent review of processes used when receiving data from scheme employers and how it is transferred on to member's records to identify issues with internal controls and associated risks. This activity is conducted by internal audit.
- 2.1.2 LGPS National Insurance Database (section 11.3) – this section has been revised to include the wider scope of the Database. Previously its intended purpose was to enable LGPS administering authorities to check to see upon the death of a scheme member whether they had any other LGPS death benefit entitlement due to new restrictions in the maximum number of death benefits payable under the LGPS as whole. The new scope of the Database is to allow administering authorities to see if members have LGPS benefits elsewhere to enable the correct actions are taken with regards to processing refund or deferred benefit entitlement. A revised data sharing agreement was signed to allow for the data to be shared and used in this way.
- 2.1.3 Member tracing and mortality screening (section 11.5) – this section has been revised to confirm that the Fund has successfully procured a supplier of member tracing and mortality screening services.
- 2.1.4 Overseas proof of continued existence checks – this section has been updated to remove the Western Union proof of existence service that was to be previously used every two years to that of the Fund conducting this exercise annually using proof of existence certificates that are independently witnessed. The Fund was unable to continue to use the services of Western Union due to the administering authority's GDPR requirements not being satisfied.

### 3. Data Improvement Plan

- 3.1 The Pensions Regulator's code of practice sets out the requirement for public service pension schemes to continually review data held and carry out a review exercise at least once a year. Where a review identifies missing or poor quality data an improvement plan must be put in place to address these issues.
- 3.2 A review of the data held by the Fund has taken place via the Data Audit conducted by ITM Limited. ITM's report was released on 21 October 2020. The findings of the report will be digested and a revised Data Improvement Plan will be prepared and presented to the Pension Fund Board for review at the December 2020 meeting.
- 3.3 Many data improvement activities continue to be undertake whilst the revised plan is constructed including but not limited to the contracted out liabilities reconciliation and rectification and the clearance of undecided leaver records. The progress of these activities are reported to the Pension Fund Committee and Pension Fund Board at every meeting within the Business Plan Update and the Administration Performance Report.

#### 4. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>

#### 5. Risk Implications

5.1 Cambridgeshire Pension Fund is required under various sets of legislation and the Pensions Regulator code of practice to ensure that data held on scheme members and their potential beneficiaries is up to date and accurate. As such the Fund should have in place an approach to managing the quality of its data and a plan for addressing any omissions or inaccuracies. This report presents to the Pension Fund Committee a Data Improvement Policy and Data Improvement Plan, for their approval, to demonstrate compliance and commitment in this area.

5.2 The risks associated with the Fund not having in place a Data Improvement Policy and Data Improvement Plan have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Administration and Communication (risk 18)	Records are not accurate and do not reflect changes in circumstances.	Green
Administration and Communication (risk 19)	Pension Fund systems may not be secure and appropriately maintained.	Green

#### 6. Finance & Resources Implications

6.1 The costs incurred in conducting data quality reviews and the associated rectification work will be met by the administration budget. Rectification work will be carried out by officers of the Fund where possible and efficient to do so.

#### 7. Communication Implications

Website	The Data Improvement Policy and Data Improvement Plan are published on the Fund's website.
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## 8. Legal Implications

- 8.1 There are no legal implications connected to the contents of this report as by putting in place a Data Improvement Policy and Data Improvement Plan, compliance with the Pensions Regulator's code of practice is being achieved.

## 9. Consultation with Key Advisers

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

## 10. Alternative Options Considered

- 10.1 There are no alternative options to be considered.

## 11. Background Papers

- 11.1 Administration Strategy - <http://pensions.northamptonshire.gov.uk/app/uploads/2017/09/AdministrationStrategy2017Final.pdf>
- 11.2 The Pensions Regulator's code of practice on the governance and administration of public services pension schemes  
<http://www.thepensionsregulator.gov.uk/public-service-schemes/code-of-practice.aspx>

## 12. Appendices

- 12.1 Appendix 1 Draft Revised Data Improvement Policy 2020

Checklist of approvals	
Has this report been cleared by the Head of Pensions?	Mark Whitby – 22 October 2020





## 1. Introduction

- 1.1 This document is the Data Improvement Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.3 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.4 The Public Service Pension Act 2013 came into effect on 1 April 2014 following the Independent Public Services Pensions Commission review conducted by Lord Hutton. The Act gave increased powers to the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration. The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code of practice addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a data improvement plan to address any issues.

## 2. Key policy objectives

### 2.1 The key objectives of this policy are to ensure that:

- The Fund ensures compliance with the guidance of the Pensions Regulator and establishes a robust, reviewable, measurable and transparent framework necessary for the processing of accurate, complete and up-to-date records.
- Accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated securely and accurately within prescribed timeframes.
- Secure communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other in respect of record keeping and data quality standards.
- The continued development of appropriate technology to improve data quality standards and the streamlining of operational processing in respect of both employers and the Fund.

- The Fund and employers have a clear understanding of their respective roles and responsibilities, ensuring all parties are committed to the continuing engagement to improve data quality and promote accurate record keeping.
- All data collection processes are clearly documented and are regularly reviewed to ensure the validity of data and to ensure they are aligned to updated legislative requirements.
- There is commitment to monitor the delivery of specified activities in accordance with the relevant regulations and the Pensions Regulator's Code of Practice.
- An audit programme (referred to as the Data Audit) is in place to assess compliance with this policy, to test internal controls associated with data collection processes and to ensure training requirements are identified and actioned.
- The Fund continues to engage with scheme employers to facilitate a drive towards electronic submission of member data and documentation using Employer Self Service, i-Connect and the LGSS Pensions website.

### 3. Purpose of the policy

- 3.1 This policy applies to all records held by the Cambridgeshire Pension Fund, its system suppliers, professional service providers and consultants acting on behalf of the Fund during the course of carrying out the administration function.
- 3.2 Records are defined as all those documents which facilitate the activities carried out by the Fund and those retained for set periods to provide evidence of its transactions or activities. These records may be created or received and then stored, in paper copy or digital form (document, spreadsheet, database entries etc).

### 4. Effective date and reviews

- 4.1 This policy was first approved by the Pension Fund Committee on 18 October 2018 and was effective from 19 October 2018. The policy was reviewed again on x/x/x and effective from x/x/x.
- 4.2 This policy will continue to be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

### 5. Scope

## 5.1 The policy applies to:

- All scheme members including potential beneficiaries of members for whom the Fund holds personal data;
- Administrators of the scheme; and
- The Pension Fund Committee and Pension Fund Board.

## 6. Legislative framework

### 6.1 Cambridgeshire Pension Fund and its employers have a legal and statutory obligation to comply with a number of regulations, standards and formal guidance relating to data quality. These include but are not limited to:

- Local Government Pension Scheme Regulations 2013
- Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- The Pensions Act 1995, 2004 and 2008
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- The General Data Protection Regulations
- The Pensions Regulator's Code of Practice (number 14): governance and administration of public service pension schemes

## 7. The Pensions Regulator

### 7.1 Code of practice

- 7.1.1 The Pensions Regulator's code of practice (number 14): governance and administration of public service pension schemes, provides practical guidance on scheme record keeping. Codes of practice are not statements of law and there is no penalty for failing to comply with them, nor is there a requirement for all the provisions of the code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements. The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- 7.1.2 The code of practice states that schemes should:
- Continually review their data and carry out a data review exercise at least annually
  - Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues
- 7.2 Public service governance and administration survey
- 7.2.1 Each year since 2015 the Pensions Regulator has conducted an annual survey of public service pension schemes to assess how schemes are meeting the requirements within the code of practice and the standards to which the schemes are being run. The survey results have provided the Pensions Regulator understanding on the barriers to data improvement and highlighted record keeping and data quality as high risk areas when compared with the other requirements within the code of practice.
- 7.2.2 The Fund participates in the survey every year and reports to the Pension Fund Committee and Pension Fund Board a comparison of the Fund's position in relation to the findings.
- 7.3 Mandatory annual return
- 7.3.1 On an annual basis the Pensions Regulator will issue an annual return which if not completed and returned is regarded as a breach of the law under the Pensions Act 2004.
- 7.3.2 From 2018 onwards the annual return will require a score as to the quality of the scheme's data. The Pensions Regulator has identified 2 categories of data that all pension schemes must provide a score for. These categories are common data and scheme-specific data broadly defined as follows:

Common data – used to identify scheme members and includes name, address, national insurance number and date of birth.

Scheme-specific data – essential to calculate benefit entitlement such as pensionable pay and service history.

- 7.3.3 The Pensions Regulator has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

## 8. Other data

- 8.1 The Cambridgeshire Pension Fund will also ensure that data not considered to be common or scheme specific, but has a processing need such as data required for the payment of pensions (e.g. tax codes, bank details) and data belonging to potential beneficiaries is also maintained to high standards of quality, accuracy and security.

## 9. Data Protection

- 9.1 The Fund needs to collect and process different types of information about individuals in the scheme and their potential beneficiaries in order to operate. The General Data Protection Regulations (GDPR) details the requirements, safeguards and member's rights which must be applied to personal data to ensure the rights and freedoms of living individuals are not compromised.
- 9.2 Cambridgeshire County Council (the administering authority) is the data controller as defined by the GDPR and must observe the principles relating to the processing of personal data. Registration at the Information Commissioner's Office (ICO) can be found under registration number Z4849790.
- 9.3 Article 5 of the GDPR sets out the principles relating to the processing of personal data and states that personal data shall be accurate and where necessary, kept up to date. Every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed are erased or rectified without delay.
- 9.4 Where a scheme member, their representative or a potential beneficiary has identified an inaccuracy or omission in their data that is held by the Fund, they have a right to rectification. As such a request for rectification can be made either verbally or in writing to the Data Protection Officer who has one month to respond.
- 9.5 Where personal data is shared with a third party in relation to the necessary functions to administer the scheme, due diligence will have taken place to ensure that the data will be processed in accordance with the GDPR and will be recorded in the Fund's privacy notice.
- 9.6 The Fund's privacy notice can be found on the LGSS Pensions website:  
<http://pensions.cambridgeshire.gov.uk/>

## 10. Responsibilities of key parties

10.1 A detailed overview of Fund and employer responsibilities, performance standards and escalation policy with regards to the provision of membership data can be found within the Pensions Administration Strategy.

10.2 There are additional general responsibilities relating to the Data Improvement Policy as follows:

### 10.2.1 Fund officers

- Individual teams are responsible to continually review and ensure that data collection is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes will have documentation in place to facilitate staff training, understanding and compliance at both a Fund and employer level.
- All staff must undertake e-learning modules on protecting personal data and information governance.
- Team managers are responsible for ensuring that staff have the appropriate level of system access to fulfil their duties and that access is withdrawn upon the member of staff leaving the team. This minimises the risk of accidental loss, errors and unauthorised activity.

### 10.2.2 Scheme employers

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by its scheme employers and any third party agencies that may utilise e.g. outsourced payroll providers.
- To maintain complete and accurate records a continual dialogue with scheme employers is required. Fund officers will work with scheme employers throughout the year to support the provision of data to the required standard.
- The scheme employer is required to provide information when requested both on an ad hoc basis and in connection with structured cyclical activities such as year-end returns and pension savings statements.
- The Fund's Administration Strategy details the financial penalties that can be levied against scheme employers who provide inaccurate or untimely information.

### 10.2.3 Administering Authority

- Cambridgeshire County Council as the administering authority provide the IT infrastructure for the Fund and supporting procedures and guidance for staff on information governance issues including data protection.
- The Governance and Regulations Manager and the Employer Services and Systems Manager provide the link between the Fund and the administering authority for information governance, cyber security and data protection.

## 11. Third party data services

11.1 The Fund will make use of third party data services to improve data quality and to support the administrative functions. Such services are provided by external organisations as either collaborative ventures, with no or minimal cost or a procured commercially, normally on a joint procurement basis with Northamptonshire Pension Fund using an established procurement framework.

### 11.2 Data Audit

11.2.1 The Fund has entered into a strategic partnership with ITM Limited to produce a suite of data validation tests that will identify errors, omissions and inconsistencies in the data held to be detailed in an annual Data Audit report. The Data Audit will be conducted annually and the results will be made available to the Pension Committee and Local Pension Board and updated within the Data Improvement Plan.

11.2.2 The Data Audit report will also provide an independent assessment of the common and scheme-specific data scores that are to be included in the statutory Pensions Regulator's annual return.

### 11.3 LGPS National Insurance Database

11.3.1 Administered by South Yorkshire Pension Fund Authority (SYPA) on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for LGPS administering authorities to identify scheme members who had LGPS benefits elsewhere to ensure the correct actions are taken when assessing members entitlement under the scheme Regulations. Each administering authority is required to complete a data sharing agreement before data is uploaded and shared.

### 11.4 'Tell Us Once' Service



11.4.1 The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows an individual registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

#### 11.5 Member Address Tracing and Mortality Screening

11.5.1 The Fund has procured a provider of member tracing and mortality screening services on a joint basis with Northamptonshire Pension Fund from the National LGPS Frameworks. These services will involve periodic checks on membership data against central registers to ensure the most up to date address is held for scheme members and to notify of any scheme members that may have died but which have not been notified to the Fund either by the scheme member's representatives or via TUO.

#### 11.6 Overseas continued existence checks

11.6.1 In line with the Fund's Anti-Fraud and Corruption Policy, a proof of existence exercise is conducted every year to establish the continued existence of scheme members residing overseas who are in receipt of a pension. The process involves scheme members completing a proof of existence form that is independently witnessed.

11.6.2 Where scheme members fail to participate in the existence processes and following several attempts to remind them to do so their pension will be suspended until such times as contact is established with the member and proof of continuing existence is verified.

#### 11.7 National Fraud Initiative (NFI)

11.7.1 Administered by the Cabinet Office, the NFI is a biennial exercise that matches electronic data within and between public service bodies to prevent and detect fraud. As a participant, the Fund receives a report of cases to investigate, to take remedial action and update records accordingly.

#### 12. Data Improvement Plan

12.1 To achieve compliance with the LGPS regulations, the Pensions Regulator's code of practice and to effectively administer the scheme, the Fund is required to put in place a Data Improvement Plan that identifies large scale data quality activities to be undertaken in the short term.

- 12.2 The Fund's Governance and Regulations Manager, supported by the Data Improvement Officer and the team of Pensions Officers are responsible for updating and ensuring the completion of the activities identified on the Data Improvement Plan.
- 12.3 The Data Improvement Plan will be kept under constant review with new activities added as they arise.
- 12.4 Progress against the Data Improvement Plan will be reported to the Pension Fund Committee and Pension Fund Board at each meeting.

Pension Fund Board

6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund - 2020-21 Communications Strategy
Purpose of the report	To present the Cambridgeshire Pension Fund Communications Strategy for 2020-21
Recommendations	The Board is asked to review the Communications Strategy
Enquiries to:	Cory Blose – Employer Services and Systems Manager cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Local Government Pension Scheme Regulations 2013 requires the Pension Fund to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers.

*61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:*

- (a) members;*
- (b) representatives of members;*
- (c) prospective members; and*
- (d) scheme employers.*

*(2) In particular the statement must set out its policy on:*

- (a) the provision of information and publicity about the scheme to members, representatives of members and scheme employers;*
- (b) the format, frequency and method of distributing such information or publicity; and*
- (c) the promotion of the Scheme to prospective members and their employers.*

*(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).*

- 1.2 The Communications Strategy forms part of that policy as required by regulation 61 above.

- 1.3 The main changes are summarised in the following section of this report and the document has been included as appendix 1.

- 1.4 The Communications Plan for 2020-21 has been included as appendix 2 for information. So far this year, along with the usual newsletters, surveys, guides and web updates, the following communications have been delivered:

- COVID-19 FAQs, webinar and dedicated web pages.

- Valuation results, new contribution rates, and new online process for submitting returns (email, news articles, and user guide).
- Employer training/communications on:
  - Year end activities
  - Employer responsibilities
  - Calculating pensionable pay
  - Discretions policy
  - i-Connect and monthly submissions
  - Tapes and outsourcing
- More engaging new starter communications.
- New employer database and contact refresh.
- Annual benefit statement communications and online pension account promotion.
- Employer consultation on:
  - Changes to the statutory underpin
  - Funding Strategy Statement
- Generating interest for Local Pension Board vacancy.

## 2. Summary of changes

- 2.1 The Communications Strategy was updated with some minor changes to ensure that current membership figures, Fund objectives, stakeholders and date references are up to date.
- 2.2 The Fund's Digital Communication Strategy was approved by the Pension Fund Committee on 14<sup>th</sup> January 2020 and the Communication Strategy (which includes the Digital Communication Strategy) was approved on 9<sup>th</sup> October 2020.
- 2.3 The table below highlights the key changes to the strategy:

Section	Change	Detail
2	Final paragraph of regulatory framework is new	Funds need to write to members informing them of their intention to move to digital communications and offer them the option to opt out.
2	Disclosure updated with a digital example	Using secure portals to exchange data with third parties. Highlights where to find our full privacy notice.
2	Equality expanded to cover accessibility	Provides examples of how we provide communications in different formats and details how our website is accessible.
2	New section added on digital communications	Details the rationale and benefits of moving towards digital communications.
2	New column added to table under 'Implementation of communication key objectives'	Shows the ways in which we're implementing our communication objectives digitally.
2	Three new subheadings have been added under 'Methods of communication and key messages for stakeholders'	This has been expanded to provide details on how we're using electronic notifications, skype and secure web portals as part of our communications strategy.

### 3. Relevant Pension Fund objectives

Promote the scheme as a valuable benefit. <i>(Objective no 12)</i>
Deliver consistent Plain English communications to stakeholders. <i>(Objective no 13)</i>
Provide scheme members with up to date information about the scheme so they can make informed decisions about their benefits. <i>(Objective no 14)</i>

### 4. Finance & resources implications

4.1 There are no direct finance and resource implications of approving this strategy, however, the communication activities themselves will have costs and resource application which will depend entirely on the final specification of each communication activity. Any project related costs associated with delivering these activities have been built into the business plan and ongoing communication costs are picked up in the administration budget.

4.2 A move towards electronic communications should save costs in the long run.

### 5. Risk management

5.1 The Fund is required by legislation to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers.

5.2 The risks associated with not having a communications strategy have been captured in the Fund's risk register as detailed below.

Risk No	Risk mitigated	Residual risk
6	Information may not be provided to stakeholders as required.	Green
14	Failure to administer the scheme in line with regulations and guidance	Green

5.3 The full risk register can be found at the following link;

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

6. Communication implications

Direct communications	Not applicable
Website	The approved communications strategy will be published on the LGSS website
Internal communications	The approved communications strategy will be distributed internally to officers

7. Legal implications

7.1 Not applicable

8 Consultation with key advisers

8.1 Consultation with the funds advisers was not required for this report.

9. Alternative options considered

9.1 Not applicable

10. Background papers

10.1 The Digital Communications Strategy was shared with the committee on the 12<sup>th</sup> December 2019 and the Board on 31<sup>st</sup> January 2020.

11. Appendices

11.1 Appendix 1 – Cambridgeshire Pension Fund – 2020-21 Communications Strategy.

11.2 Appendix 2 – Cambridgeshire Pension Fund – 2020-21 Communications Plan.

Checklist of Key Approvals

Has this report been cleared by Head of Pensions?	Mark Whitby – 21/10/20
---------------------------------------------------	------------------------

## APPENDIX 1

# Cambridgeshire Pension Fund Communications Strategy

Published by:

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## 1. Introduction

This is the communications strategy for the Cambridgeshire Local Government Pension Fund managed by Cambridgeshire County Council (the administering authority). The administration of the fund is carried out by the LGSS Pensions Service.

The fund has around 178 employers with contributing members and a total membership of over 75,000 scheme members. These members are split into the following categories and with the following approximate numbers of members in each category:

Category	Cambridgeshire Pension Fund
Active scheme members	28,976
Deferred scheme members	27,659
Pensioner members	18,775

This document outlines our strategic approach to communications and is effective from 1 April 2020. It also provides detail of how we're moving towards more digital based communications and how we plan to use technology to enhance our service and reduce costs where appropriate.

## 2. Communication strategy

### Regulatory framework

This document has been produced in accordance with regulation 61 of the Local Government Pension Scheme regulations 2013. The regulation requires administering authorities to:

- Prepare, maintain and publish a written statement setting out their policy concerning communications with:
  - scheme members (active, deferred, retired and dependant)
  - representatives of scheme members
  - prospective scheme members
  - scheme employers
- Set out their policy on:
  - the provision of information and publicity about the scheme
  - the format, frequency and method of distributing such information or publicity
  - the promotion of the scheme to prospective scheme members and their employers.
- Keep the statement under review and make such revisions as are appropriate following a material change in the policy on any of the matters included. If revisions are made, a revised statement must be published.

The regulations also state that, before ceasing postal communications, funds are required to write to members by post on multiple occasions informing them of their intention to move to digital communications as standard and offering them the option of opting out of receiving digital communications.

## Key objectives

The communications of Cambridgeshire Pension Fund will be delivered in line with the following objectives as outlined in our business plan:

- Objective 12. Promote the scheme as a valuable benefit
- Objective 13. Deliver consistent plain English communications to stakeholders
- Objective 14. Provide scheme members with up to date information about the scheme so they can make informed decisions about their benefits.

Measurements are in place to determine if these objectives are being met – see ‘Implementation of Communication Key Objectives’.

It also helps to deliver these further objectives:

- Objective 2. Manage the fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers.
- Objective 10. Administer the fund in a professional and efficient manner, utilising technological solutions and collaboration.

## Stakeholders of the fund

There are several categories of stakeholder as detailed below:

- Active scheme members
- Prospective scheme members
- Deferred scheme members
- Retired and dependant scheme members
- Scheme employers
- Fund staff
- Pension fund committee
- Cambridgeshire tax payers
- Members of the public
- Scheme advisory board
- Local pension board
- External bodies:
  - Trades Unions
  - Her Majesty’s Revenue & Customs (HMRC)
  - Ministry of Housing, Communities and Local Government (MHCLG)
  - The Pensions Regulator (TPR)
  - National Fraud Initiative (NFI)
  - Audit Commission
  - HM Treasury
  - Department of Work and Pensions (DWP)

## Brand identity

The fund recognises that our visual identification is one of our most powerful assets. It tells people who we are and influences how they remember and relate to us. Our branding increases our reputation whilst uniting us visually. When branding our communications, it is important that:

- We have an individual fund identity that is distinct from the County Council/LGSS identities.
- The look and feel of a communication should be identical where possible, but with separate fund branding – e.g. newsletters should be identical where possible but would clearly display separate fund branding on the front cover and only refer to the relevant fund throughout the text.
- If it is unreasonable to produce different materials (e.g. cost difference, logistical challenges, etc) a joint brand is to be considered.
- The pension fund board will be required to sign off high-level branding decisions.
- The brand will need to be adaptable to other funds that may become part of LGSS in the future.

## Confidentiality

The fund is registered under the Data Protection Act 1998 as part of Cambridgeshire County Council. Information will be shared between Cambridgeshire County Council and Northamptonshire County Council for the purposes of pensions' administration. Information regarding scheme members and organisations is treated with respect by all our staff.

## Disclosure

The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's notification providers. When exchanging data with third parties we use secure portals. Our full privacy notice is published on our website:

- [pensions.cambridgeshire.gov.uk](https://pensions.cambridgeshire.gov.uk)

by clicking on Governance and then Key Documents.

## Cyber security

We take the security of personal information very seriously. Most pension records are held electronically, and many pension scheme members can now access their own pension records online. The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure that they have good cyber security (protection for computers and communications networks).

We work closely with our suppliers to make sure the systems that hold personal information are protected. We have procedures in place to check that processes and people are kept up to date. We also regularly and thoroughly test systems to make sure that they stay secure and that the risk of a security incident is reduced. We make sure that our suppliers have certificates which prove they meet the expected cyber-security standards and that the certificates are kept up to date.

## Equality and Accessibility

We are committed to ensuring our communications are accessible to everyone. We give all members the option to opt out of electronic communications or to receive them in the best format for them eg braille, audio CD, alternative languages or other reasonable adjustments. We also make sure that our communications are easy to understand through use of Plain English accreditation and readability scores.

**A scheme member can opt out of electronic communications, at any time, by informing us in writing or by email that they wish to do so.**

In addition; for web based communications:

- Our website navigation works in a consistent way throughout our website.
- We use a standard web font to make it easy to read.

- Any images we use also include a text description to explain what they are, unless they're only descriptive.
- We never use colour as the only way to convey information.
- We write our links so that they make sense when screen readers analyse them.

## Freedom of information

This communications strategy identifies the classes of information that the fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act to request any information held by the fund which is not already made available. Requests should be made in writing to the head of pensions at the address at the end of this document.

A fee may be charged and the funds reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

## Digital communications

In an increasingly digital world, it's important for the fund to use the latest technology to adopt new ways of communicating with our stakeholders and ensure:

- stakeholders have a better experience when interacting with the fund
- fund officers have the skills, knowledge and tools available to communicate with stakeholders in the most secure and efficient ways possible
- the fund can deliver on its communications objectives as effectively as possible by using the communication channels most likely to get through to stakeholders
- the cost and time spent communicating with stakeholders is reduced
- communications are secure by default.

This communications strategy provides information about how the fund will use digital communication technologies to implement the communications strategy and meet its communication objectives.

Digital communications offer many benefits over paper:

- environmentally friendly by being paper-free with no printing or physical distribution needed
- quicker, more reliable, more secure and less costly than postal communication
- information is easily available to stakeholders whenever they need it
- documents are stored digitally in one place and available at all times eliminating the need to print and store documents
- easier to engage in bulk communications with stakeholders
- increases engagement by mirroring the way that people communicate at home

## Implementation of communication key objectives

This table sets out the implementation of the delivery of the fund's key communication objectives.

The agreed objectives with measures for success that form the communication strategy are:

Objective	Digital implementation	Measures of success	Review process
Promote the scheme as a valuable benefit	<ul style="list-style-type: none"> <li>• Emails (through 3<sup>rd</sup> party bulk notification systems)</li> <li>• Texts (through 3<sup>rd</sup> party bulk notification systems)</li> <li>• Electronic newsletters</li> <li>• Self-service portals</li> <li>• Digital materials provided to employers for publication via: <ul style="list-style-type: none"> <li>○ Intranet communications</li> <li>○ Website content</li> <li>○ Video walls (where available)</li> <li>○ Meeting room pads (where available)</li> <li>○ Blogs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in number of members opting out of the scheme</li> <li>• Positive feedback from stakeholders</li> <li>• Communications promote the scheme as a valuable benefit in a way that it understood by the audience</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor opt out rates annually</li> <li>• Surveys and polls on websites</li> <li>• Review scheme communications for effectiveness</li> <li>• Online rating of document usefulness</li> <li>• Obtain Plain English Accreditation</li> <li>• Bulk email engagement ratings (% opened &amp; clicked links)</li> </ul>
Provide scheme members with up to date information about the scheme so they can make informed decisions about their benefits.	<ul style="list-style-type: none"> <li>• Emails (through 3<sup>rd</sup> party bulk notification systems)</li> <li>• Texts (through 3<sup>rd</sup> party bulk notification systems)</li> <li>• Electronic newsletters</li> <li>• Website content</li> <li>• Self-service portals</li> </ul>	<ul style="list-style-type: none"> <li>• Communication includes information and changes to the scheme that supports all stakeholder understanding</li> <li>• Communication is delivered via the most appropriate media to the audience with a focus on electronic communication where possible</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys and polls (on websites and by email/post). Focus groups</li> <li>• Surveys and polls on websites. Focus groups. Monitor hits on website. Record and review method of communication used. Use appropriate media to convey relevant messages</li> <li>• Bulk email engagement ratings (% opened &amp; clicked links)</li> </ul>

Objective	Digital implementation	Measures of success	Review process
		<ul style="list-style-type: none"> <li>Effective promotion of new media or change of processes to all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Surveys and polls on websites. Focus groups. Monitor incoming telephone call and email volumes</li> <li>Bulk email engagement ratings (% opened &amp; clicked links)</li> </ul>
Deliver consistent plain English communications to stakeholders	<ul style="list-style-type: none"> <li>Emails (through 3<sup>rd</sup> party bulk notification systems)</li> <li>Texts (through 3<sup>rd</sup> party bulk notification systems)</li> <li>Electronic newsletters</li> <li>Self-service portals</li> <li>Digital materials provided to employers for publication via: <ul style="list-style-type: none"> <li>Intranet communications</li> <li>Website content</li> <li>Video walls (where available)</li> <li>Meeting room pads (where available)</li> <li>Blogs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Effective and timely communications to be sent to all stakeholders in clear language that is understood and relevant</li> <li>Feedback from all audiences on the quality and language used in the communication sent</li> <li>Feedback on the simplicity, relevance and impact of the communication sent</li> </ul>	<ul style="list-style-type: none"> <li>Monitor enquiries from stakeholders following key events and communications. (Reduced enquiries mean effective delivery)</li> <li>Bulk email engagement ratings (% opened &amp; clicked links)</li> <li>Surveys and polls on websites. Focus groups.</li> <li>Surveys and polls on websites. Focus groups.</li> <li>Submit all standard communications for plain English assessment with the aim of achieving plain English accreditation.</li> </ul>

## Methods of communication and key messages/objectives for stakeholders

The fund aims to use the most appropriate method of communication when dealing with stakeholders. This may involve more than one communication method.

Whilst the fund aims to use the most appropriate communication medium for the audience receiving the information, we hope that our website will be the first port of call for all stakeholders where appropriate. The fund is committed to using technology to enhance our service and reduce costs, where appropriate, and have switched to electronic communication as our primary means of contact for most stakeholders. We will continue to explore and develop further use of electronic communications through our website, emails, webinars and self-service.

### **Self-service**

All members of the fund have been offered access to a personal online pension account. This gives members controlled access to their own details, allowing them to review and update their personal information, view information about their pension benefits and carry out benefit projection calculations.

The fund aims to move to a position where most communications are sent to members through their online pension account, with electronic notifications used to inform them that these are available online, replacing postal communications.

Both active and deferred members already receive their annual benefit statements through their online account each year and it is also planned to provide paylips and P60s to pensioner members via their online account.

### **Electronic notifications**

The fund uses bulk notification systems to manage and deliver bulk communication to both members and employers. The fund will use these systems to manage communication campaigns, by email and text message, to provide important information and increase member and employer engagement.

Emails will be used for promotional campaigns and important scheme updates to both members and employers and to notify members that documents and other communications are available through their online pension account. Text messaging will be used solely to notify members and employers that documents and other communications are available through their online pension accounts.

These communication methods will provide a better, more secure experience for both members and employers, increase efficiency and reduce the cost and time of communicating with these particular stakeholders.

We will measure the success of these communications using reporting tools within the notification systems which provides us with valuable information on how many:

- emails were delivered
- emails were opened
- links were clicked on

This enables us to determine how engaging a communication is and to make changes or send follow-up communications where appropriate.

**A scheme member can opt out of electronic communications, at any time, by informing us in writing or by email that they wish to do so.**



## Skype

Skype software allows users to make calls, video calls or engage in chat over the Internet. This application is used widely by the Fund to:

- communicate with team members working remotely
- deliver training webinars to employers
- have conference calls with employers, other pension Funds and other third parties.

The use of Skype enables the Fund to work smarter by eliminating travel time, reducing costs and increasing capacity.

## Secure web portals

The fund accepts and shares data with employers and other third parties securely through the use of web based data portals. These include:

- **i-connect** – i-connect facilitates the monthly collection of data from employers either through uploading an i-connect extract through the portal, or direct input via a web-form based within the portal itself. This will improve the experience for employers by providing a streamlined approach to providing data. It also improves the experience for members who will have access to more up to date information through their online account.
- **Tell Us Once** – this site shares registered death information by local authorities on behalf of the Department for Work and Pensions (DWP). The fund receives and provides data for the use of Tell Us Once.
- **National Insurance database** – this enables the Fund to check whether members are entitled to refunds. The fund receives and provides data for use of the database.
- **The National Fraud Initiative (NFI)** this portal helps us to match electronic data within and between public and private sector bodies to prevent and detect fraud.

The table overleaf shows the our main methods of communicating with the different stakeholder groups, other than the ‘usual’ day to day communications, plus the key messages and objectives we hope to achieve:

Stakeholder	Communication	Key message/objective
<b>Active scheme members</b>	Annual newsletter (electronic) Annual benefit statements (electronic) Calculations and costings (e.g. estimates) Short guide to LGPS Full guide to LGPS Website (in particular 'Latest news' page) Member self service External training sessions as requested by employer Roadshows Direct mailings	Key messages: <ul style="list-style-type: none"> <li>• Your pension is a valuable benefit</li> <li>• You need to make sure you're saving enough for retirement</li> </ul> Objectives: <ul style="list-style-type: none"> <li>• To improve understanding of how the LGPS works</li> <li>• To inform scheme members of their rights and benefits</li> <li>• For queries and complaints to be reduced</li> <li>• To make pensions information more readily available</li> </ul>
<b>Scheme employers</b>	Quarterly newsletters Pension bulletins Ad hoc email alerts Biannual forums Website (in particular 'Latest news' page) Webinars/workshops	Key messages: <ul style="list-style-type: none"> <li>• You need to be aware of your responsibilities regarding the LGPS</li> <li>• The fund is a valuable benefit for scheme members and is a good tool for retention of staff</li> </ul> Objectives:

Stakeholder	Communication	Key message/objective
	<p>Bespoke/targeted ad hoc training sessions</p> <p>Induction packs</p> <p>Fact sheets</p>	<ul style="list-style-type: none"> <li>To increase understanding of how the fund works and the effects on scheme members of any legislation changes</li> <li>To improve relationships</li> <li>Continue to improve the accuracy of data being provided to us</li> <li>To make pensions information more readily available</li> </ul>
<p><b>Prospective scheme members</b></p> <p><b>And Opt-Outs</b></p>	<p>Information on website</p> <p>Scheme information leaflets</p> <p>Promotional material distributed through employers</p>	<p>Key messages:</p> <ul style="list-style-type: none"> <li>The pension benefits are a valuable part of your reward package</li> <li>The LGPS is still one of the best pension arrangements available</li> </ul> <p>Objectives:</p> <ul style="list-style-type: none"> <li>To improve take up of the LGPS</li> <li>To decrease opt out rate and increase understanding of contribution flexibility i.e. 50/50 option</li> <li>To increase understanding of how the scheme works and what benefits are provided</li> <li>To make pensions information more readily available</li> </ul>
<p><b>Deferred scheme members</b></p>	<p>Annual benefit statements (electronic)</p> <p>Annual newsletter (electronic)</p> <p>Calculations and costings (e.g. estimates)</p> <p>Scheme information leaflets</p>	<p>Key messages:</p> <ul style="list-style-type: none"> <li>It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes</li> <li>The LGPS is still a valuable part of your retirement package</li> </ul> <p>Objective:</p>

Stakeholder	Communication	Key message/objective
	Retirement packs Website	<ul style="list-style-type: none"> <li>To improve understanding of how the LGPS works</li> <li>To make pensions information more readily available</li> </ul>
<b>Retired/dependant scheme members</b>	Annual newsletter Payslips (when criteria is met) P60 Lifetime allowance Calculations and costings (e.g. estimates)	<p>Key messages:</p> <ul style="list-style-type: none"> <li>It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes</li> <li>The LGPS is still a valuable part of your retirement package</li> </ul> <p>Objectives:</p> <ul style="list-style-type: none"> <li>To improve understanding of how the LGPS works</li> <li>To make pensions information more readily available</li> </ul>
<b>Fund staff</b>	Monthly service meetings Team meetings Ad hoc meetings Consultations 1:1 / Appraisals Training & development	<p>Objectives:</p> <ul style="list-style-type: none"> <li>To ensure staff are kept up to date with important information regarding the service, the employing authority and the wider world of pensions as a whole</li> <li>For staff to feel a fully integrated member of the team</li> <li>For management to feedback to staff regarding their individual progress</li> <li>To give staff a chance to feedback their views and suggestions</li> </ul>
<b>Pension Fund Committee</b>	Committee papers Presentations Consultations Agendas	<p>Objectives:</p> <ul style="list-style-type: none"> <li>To update on the implementation of a policy</li> <li>To monitor success against the agreed measures</li> </ul>

Stakeholder	Communication	Key message/objective
	Minutes	
<b>External authorities</b> <ul style="list-style-type: none"> <li>• Trade Unions</li> <li>• Her Majesty's Revenue &amp; Customs (HMRC)</li> <li>• Ministry of Housing, Communities and Local Government (MHCLG)</li> <li>• The Pensions Regulator (TPR)</li> <li>• National Fraud Initiative (NFI)</li> <li>• Audit Commission</li> <li>• HM Treasury</li> <li>• Department of Work and Pensions (DWP)</li> </ul>	<p>Response to enquiries and consultations.</p> <p>Response to changes in legislation.</p>	<p>Objectives:</p> <ul style="list-style-type: none"> <li>• To respond to enquiries/statutory requirements.</li> </ul>

### 3. Further information

If you have any queries about this communications strategy please get in touch:

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[pensions@northamptonshire.gov.uk](mailto:pensions@northamptonshire.gov.uk)

<http://pensions.cambridgeshire.gov.uk>

**Communications plan 2020/21**

	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>APR</b>	COVID-19 FAQs and dedicated webpage.	COVID-19 FAQs and dedicated webpage.  Valuation results, new contribution rates, and new online process for submitting returns (email, news articles, and user guide).  Employer newsletter.  Year-end activities training/communications.		COVID-19 FAQs and dedicated webpage.	COVID-19 FAQs and dedicated webpage.	COVID-19 FAQs and dedicated webpage.	
<b>MAY</b>	Guide to additional voluntary contributions (AVCs).	Employer responsibilities training.  Calculating pensionable pay training.  Webinar on COVID-19 issues.			Payslip – online pension	Payslip – online pension	

	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>JUN</b>	More engaging new starter comms encouraging online pension account sign up.	A guide to formulating your discretions policy training.  i-Connect monthly submission (on-line return) training.					Employee newsletter.
<b>JUL</b>	Member survey.  McCloud court case update.	New employer database and contact refresh.  Changes to statutory underpin consultation.  Tupes and outsourcing training.		Annual benefit statement communications.  Member survey.	Member survey.		
<b>AUG</b>	Annual benefit statement communication.  Pension board vacancy.	Active annual benefit statement comms materials for employers.  Employer responsibilities training.  Funding Strategy Statement Consultation.  Exit payments cap update.  Pension board vacancy.	Online pension account promotion.	Pension board vacancy.	Pension board vacancy.		
<b>SEPT</b>	Website accessibility communication.	Website accessibility communication.  Ill-health retirement training.  Active annual benefit statement comms materials for employers.  Customer service excellence assessment.	Online pension account promotion.  Website accessibility communication.	Website accessibility communication.	Website accessibility communication.	Website accessibility communication.	



	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>OCT</b>		Calculating pensionable pay training.  Employer communication on McCloud data collection.					Employee newsletter
<b>NOV</b>	Transfers letter review.	i-Connect monthly submission (on-line return) training.					
<b>DEC</b>				Online pension account promotion.			
<b>JAN</b>	Online pension account promotion.	Employer responsibilities training.					
<b>FEB</b>		Calculating pensionable pay training.  Employer newsletter.					
<b>MAR</b>		Year-end activities training/communications.			Newsletter – All schemes  Payslip – online pension promotion	Newsletter – All schemes  Payslip – online pension promotion	Employee newsletter

	Active members	Scheme employers	Prospective members	Deferred members	Retired members	Dependant members	Fund staff
<b>Ad hoc Comms</b>	Website updates	Training Workshops Pension Bulletins Website updates Valuation Report (every 3 yrs)	Promotional Posters Website updates	Website updates	Website updates	Annual review of entitlement – May/June. Website updates	Website updates Pension Committees

Pension Fund Board

Date: 6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Update to Funding Strategy Statement
Purpose of the Report	To present the amendments to the Funding Strategy Statement.
Recommendations	That the Pension Fund Board notes the amendments to the Funding Strategy Statement.
Enquiries to:	Name – Cory Blose – Employer Services and Systems Manager Tel – 07990560829 E-mail – <a href="mailto:cblose@northamptonshire.gov.uk">cblose@northamptonshire.gov.uk</a>

1. Background

1.1 The Funding Strategy Statement was previously approved, by the Pension Fund Committee as part of the valuation process. Since publication, there has been an amendment to the Local Government Pension Scheme Regulations 2013 affecting cessations from the Fund, requiring further revision to the strategy statement.

1.2 The most recent amendments give administering authorities some discretion when determining whether or not an exit credit is payable and, if so, the value of that exit credit. Following the amendment, regulation 64 paragraph 2ZC states the following:

*In exercising its discretion to determine the amount of any exit credit the administering authority must have regard to the following factors*

- a) the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);*
- b) the proportion of this excess of assets which has arisen because of the value of the employer's contributions;*
- c) any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and*
- d) any other relevant factors.*

1.3 At the June meeting of the Pension Fund Committee, approval was given update the Funding Strategy Statement in consultation with the Fund's legal and actuarial advisors and to then release the statement for consultation with Scheme employers.

1.4 The consultation was opened on 10 August and ran for 28 days, closing on 7 September. No responses were received.

1.5 The administering authority discretions will need to be updated to reflect these changes.

## 2. Update to Funding Strategy Statement

2.1 The Funding Strategy Statement has been updated to include a specific policy regarding exit credits. This is an entirely new policy that replaces the previous policy completely.

2.2 The following policy statement, will be added to Note J, starting on page 20 of the Funding Strategy Statement. The current version, for comparison, can be found on the Fund's website: <https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

### 2.3 Exit Credit Policy

*In making a determination as to the value of any exit credit payable, the Administering Authority will consider: (a) the extent of any surplus, (b) the proportion of surplus arising as a result of the exiting employer's employer contributions; (c) in the case of an Admission Body that is an exiting employer, any representations made by the Admission Body (and any other parties notified, as set out above) which may include information as to any risk sharing agreements in place, any guarantor arrangements, any specific agreement between scheme employers, and any such other representations relevant in the specific case and (d) any other relevant factors, which may include, for example, factors such as:*

- 1. whether the Admission Body participates in the Fund via the "fixed contribution rate" (or pass through) (as set out under "Note (i) (New Transferee Admission Bodies)");*
- 2. any admission terms/Pooling arrangements (as set out under "Note (i) (New Transferee Admission Bodies)/contractual or risk sharing agreements which deal with the ownership of exit credits/cessation surpluses (and the dates such agreements were entered into);*
- 3. the approach/factors considered when setting contribution rates payable by the Admission Body during its participation in the Fund (including which party was responsible for funding risks and/or any forms of employer assistance/support in place);*
- 4. whether the admission agreement ends early and, if so, the reasons for the early termination;*
- 5. whether a scheme employer or resolution body becomes an exiting employer due to a reorganisation, merger or take-over;*
- 6. whether an Admission Body /scheme employer/or resolution body leaves on a gilts exit basis;*
- 7. any contributions due or monies owed to the Fund that remain unpaid by the Admission Body at the cessation date; and*

8. *whether the admission body had entered the fund prior to the original exit credit regulations start date of 14 May 2018.*

*Any representations to be made by the Admission Body (and any other parties notified as set out above) - together with copies of any documents provided for the Fund to consider - must be provided to the Fund as soon as reasonably practicable and in any event within one month of the Administering Authority's notification of its intention to make a determination (as set out above).*

*The determination will be made jointly by the Head of Pensions and Section 151 Officer in accordance with the LGPS Regulations 2013, in conjunction with advice from the Fund's Actuary, taking the above into consideration. Legal advice will be sought where necessary. The determination will set out the value of any exit credit payable and the factors considered in reaching this determination, and will advise the exiting employer of the amount due to be paid (if any).*

*Where it is determined that an exit credit is payable, the Administering Authority will make the payment to the exiting employer within six months of the exit date where possible. A longer time may be agreed between the Administering Authority and the exiting employer where necessary. For example, if the exiting employer does not provide all the relevant information to the Administering Authority within one month of the cessation date or such other period as specified by the Administering Authority, the Administering Authority will not be able to guarantee payment within six months of the cessation date.*

### 3. Administering Authority Discretion Document

- 3.1 Under regulation 64 (2ZAB) of the Regulations, the Administering Authority now has the discretion to determine the amount of an exit credit, taking into account the factors specified in regulation 64 (2ZC), listed under paragraph 1.2 of this report. The administering authority discretions document must be updated to include this new discretion. Officers propose the following update:

Regulation No.	Description of Discretion	Administering Authority Policy
R 64(2ZB) Determination over value of exit payment	Determine the amount of an exit credit, which may be zero, when an employer becomes an exiting employer in the Fund with a funding surplus	Delegated jointly to the Head of Pensions and Section 151 Officer, and to be agreed in co-operations with the Fund Actuary. See separate Funding Strategy Statement. [Link to be included when published]

### 4. Approval

- 4.1 The amendments to the Funding Strategy Statement were approved by the Pension Fund Committee on 9<sup>th</sup> October 2020.

## 5. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. (Objective no 1)
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. (Objective 2)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (Objective no 15)

## 6. Finance and Resources Implications

### 6.1 None

## 7. Risk Management

7.1 The Funding Strategy Statement sets out the policies that will apply to employers during and/or following certain events.

7.2 The amendments being made are required in order to ensure that the Funding Strategy Statement reflects current legislation and ensure that the Administering Authority acts fairly and equitably when exercising its discretion over the payment exit credits.

7.3 There are risks associated with making or not making this decision have been captured below.

7.4 In order to mitigate this risks, officers have sought advice from the Fund's legal and actuarial advisors and consulted with employers before seeking Committee approval of the final draft.

Risk No	Risk	Residual risk rating
5	Fund assets are not sufficient to meet the obligations and liabilities	Amber
6	Information may not be provided to stakeholders as required	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
14	Failure to administer the scheme in line with regulations and guidance	Green
20	Failure to act appropriately upon expert advice and/or risk of poor advice	Green

7.5 A full version of the Fund risk register can be found at the following link – <http://pensions.northamptonshire.gov.uk/governance/key-documents/northamptonshire/>

## 8. Communication Implications

Direct Communications	A communication will be issued to inform employers that the amended Funding Strategy Statement has been approved by the Pension Fund Committee and published on the Fund's website.
Website	The Funding Strategy Statement will be published on the Fund's website.

9. Legal Implications

9.1 No immediate legal implications

10. Consultation with Key Advisers

10.1 Consultation with the Scheme Actuary and the Fund's legal advisors was undertaken when drafting the new policy.

11. Alternative Options Considered

11.1 None

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 21/10/20





Pension Fund Board

6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Administration Performance Report
Purpose of the Report	To present the Administration Performance Report to the Pension Fund Board
Recommendations	The Pension Fund Board are asked to note the Administration Performance Report
Enquiries to:	Joanne Walton, Governance and Regulations Manager <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

1. Background

- 1.1 One of the core functions of the Pension Fund Board is to ensure the effective and efficient governance and administration of the scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.

2. Key Performance Indicators – LGSS Pensions

- 2.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2 Full KPI details for the period 1<sup>st</sup> June to 30<sup>th</sup> September 2020 can be found in *appendix 1*.

3. Receipt of Employee and Employer Contributions

- 3.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19<sup>th</sup> of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 3.2 The table in *appendix 2* shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1<sup>st</sup> September 2019 to 31<sup>st</sup> August 2020.
- 3.3 Details of late paying employers for May, June, July and August 2020 can be found in the *exempt appendix (appendix 3)* of the report.

#### 4. Breaches of the Law

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

4.2 For the period 1<sup>st</sup> June to 30<sup>th</sup> September 2020, the following breaches occurred:

<i>Type of Breach</i>	<i>Detail of Breach</i>	<i>Course of action</i>
Material Breaches	None	None
Non Material Breaches	Non-issue of entitlement letters for 11 members when leaving the scheme on 31 <sup>st</sup> March 2017 as part of a protracted TUPE transfer.	Letters have now been sent to the members.
	4 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.

#### 5. Internal Dispute Resolution Procedure

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

5.2 In the period 1<sup>st</sup> June to 30<sup>th</sup> September 2020 the following activity occurred:

<i>Nature of dispute</i>	<i>Stage 1 (The Head of Pensions)</i>	<i>Stage 2 (Cambridgeshire County Council Monitoring Officer)</i>
Delay in payment of refund of contributions and amount refunded (received 4 June 2020)	Not upheld (6 July 2020)	N/A
Transferred out to an occupational pension scheme in 2012 and would now like to be reinstated back into the LGPS (received 13 July 2020)	Not upheld (11 September 2020)	Received 9 October 2020. Decision due 8 December 2020.
Tier 1 ill health estimate of benefits over-stated compared with final benefits payable (received 13 July 2020)	Partially upheld (25 September 2020)	Received 6 October 2020. Decision due 5 December 2020.

## 6. Data improvement activity update

### 6.1 Resolution of unprocessed leaver records

Purpose of activity: To process all the unprocessed leaver benefits in accordance with the member's entitlement under the LGPS regulations.

Original timescale for action: 01/04/2020 – 31/03/2021

Update: As at 30 September 2020 cases of undecided leavers increased to 10,147. This can largely be attributed to a couple of larger employers which created a spike in numbers when providing their I-Connect submissions in September; in August cases had dropped to circa 9450. These submissions are being reviewed and processed. Aon are continuing to provide support by processing backlog cases.

Category	Total
Baseline (April 2020)	9,636
September 2020	10,147

### 6.2 Contracted-out liabilities rectification

Purpose of activity: To correct any variances to pensions in payment as a result of any changes notified to the contracted-out earnings included within the pension.

Timescale for action: Amendments to pensions were scheduled to be made in March 2020.

Update: The delay in HMRC issuing the final data file has impacted the completion of this activity. The final file of data has now been received and ITM Limited are currently undertaking a further piece of work to ensure that correct information is used when the rectification of member's records is undertaken, due to HMRC's data containing errors. Rectification of member records should commence in November 2020.

## 7. Employers Admissions and Cessations

### 7.1 The following admitted bodies were admitted to the Cambridgeshire Pension Fund:

- Lunchtime Company Ltd
- Peterborough Limited

### 7.2 The following bodies have ceased to be an employer within the Cambridgeshire Pension Fund:

- ABM Catering (x2)
- Alliance in Partnership Ltd
- Caterlink
- Easy Clean Contractors (x2)
- Lunchtime Company Ltd (x3)
- Pabulum Ltd
- Visit Cambridge & Beyond

## 8. LGSS Business Transition

- 8.1 A review was commissioned to review the LGSS operating model in light of changing directions for each of the partner councils and financial investment in the future. As a result, the sharing of services between Cambridgeshire, Milton Keynes and Northamptonshire is to change from having an organisation managed and operated by LGSS providing to the 3 partner councils, to a Lead Authority model, where each partner council runs some services as a lead council service for others.
- 8.2 The Pensions Service will continue to provide shared services administration to both the Cambridgeshire and Northamptonshire Funds. This will be on a lead authority basis once the LGSS Transition project has concluded. The Pensions Service will be managed within the Finance directorate whilst Northamptonshire County Council is still an entity, with a shared service arrangement continuing post unitary vesting day as per the Blueprint design.
- 8.3 From 1<sup>st</sup> April 2021, the lead authority model for Northamptonshire County Council will change to West Northamptonshire as part of the Unitary arrangements.

## 9. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

## 10. Risk Management

- 10.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.
- 10.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
6	Information may not be provided to stakeholders as required.	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
17	Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green

10.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: <https://pensions.northamptonshire.gov.uk/app/uploads/2020/06/CPFRiskRegisterJune20.pdf>

#### 11. Communication Implications

<a href="#">Direct communications</a>	The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report.
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#### 12. Finance & Resources Implications

12.1 There are no financial and resource implications associated with this report.

#### 13. Legal Implications

13.1 Not applicable

#### 14. Consultation with Key Advisers

14.1 Consultation with the Fund's advisers was not required for this report.

#### 15. Alternative Options Considered

15.1 Not applicable

#### 16. Background Papers

16.1 Not applicable

#### 17. Appendices

17.1 Appendix 1 Key Performance Indicators – LGSS Pensions

17.2 Appendix 2 Receipt of Employee and Employer Contributions

17.3 Appendix 3 Late payments of employee and employer contributions (*exempt*)

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 21/10/2020

## Appendix 1 - Key Performance Indicators – LGSS Pensions June, July, August and September 2020

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	June: 237 July: 285 August: 188 September: 205	220 262 176 191	17 23 12 14	93 92 94 93	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	June: 37 July: 37 August: 32 September: 29	36 37 32 18	1 0 0 11	97 100 100 62	Green Green Green Red	SLA target met SLA target met SLA target met SLA target not met*
Payment of pension benefits from deferred membership status	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	June: 42 July: 34 August: 44 September: 47	41 32 42 39	1 2 2 8	98 94 95 83	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not met**
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	June: 34 July: 34 August: 20 September: 33	34 33 20 31	0 1 0 2	100 97 100 94	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	June: 36 June: 33 August: 38 September: 46	33 33 30 38	3 0 8 8	92 100 79 82	Green Green Amber Amber	SLA target met SLA target met SLA target not met*** SLA target not met***
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	June: 68 July: 58 August: 33 September: 24	67 56 33 24	1 2 0 0	99 97 100 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	June: 4 July: 9 August: 2 September: 7	4 9 2 7	0 0 0 0	100 100 100 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

\* Payment of retirement benefits from active employment – In September the service lost 3 working days due to technical issues which resulted in reduced output for this month, the issues have now been resolved.

\*\*Payment of pension benefits from deferred membership status – As with above the service lost 3 working days due to technical issues which resulted in reduced output for this month, the issues have now been resolved.

\*\*\*Provide a maximum of one estimate of benefits to employees per year on request – For August a weekly report did not pull through all outstanding estimate checking; this report is now being thoroughly checked to ensure that it shows all outstanding estimate checking going forward. For September the technical issues impacted output in this area as with above.

- Green: Equal to or above Service Level Agreement (SLA) target.
- Amber: If there is a statutory target - below SLA target, but all within statutory target.  
If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.
- Red: If there is a statutory target - below SLA target and not within statutory target.  
If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target

Appendix 2 - Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
September 2019	100	0	98.3	1.7
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
December 2019	97.1	2.9	97.1	2.9
January 2020	98.7	1.3	98.7	1.3
February 2020	96.6	3.4	96.7	3.3
March 2020	99.8	0.2	100	0
April 2020	99.6	0.4	99.3	0.7
May 2020	100	0	100	0
June 2020	99.5	0.5	99.3	0.7
July 2020	99.3	0.7	100	0
August 2020	99.6	0.4	99.6	0.4
Average for period	99.1	0.9	98.8	1.2



# Cambridgeshire Pension Fund

Agenda Item: 11

Pension Fund Board

Date: 6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2020/21
Purpose of the Report	To present the Business Plan Update for the period 1 April to 30 September 2020.
Recommendations	The Pension Fund Board is asked to note the Business Plan Update to 30 September 2020.
Enquiries to:	Mark Whitby, Head of LGSS Pensions <a href="mailto:mwhitby@northamptonshire.gov.uk">mwhitby@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 Board on a regular basis. This update highlights the progress made on the key activities for the period up to the end of 2020/21 financial year.
- 1.2 A full list of the key fund activities for the 2020/21 financial year can be found in *appendix 1 of this report*.

## 2. Variances against the forecast of investments and administration expenses

- 2.1 The tables in *appendix 2* provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in June 2020.

## 3. Key Pension Fund Activities

### 3.1 Service Delivery (SD)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
SD1	Undertake a review of the Business Continuity Plan	✓	✓	✓			
SD2	Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations		✓	✓	✓		
SD4	Extension of existing pensions administration and payroll software	✓	✓				

### 3.1.1 SD1 - Undertake a review of the Business Continuity Plan

**Action:** The Business Continuity Plan (BCP) covering the Fund's governance and administration is now due for a full review. This review will help ensure appropriate arrangements are being put in place to facilitate the seamless transition of shared service administration from Northamptonshire County Council to West Northamptonshire Council on 1 April 2021 and incorporate any learning points from the pandemic.

**Update:** Officers have been regularly reviewing the BCP ensuring staff contact information is up to date. Officers are in the process of contacting Aquila Heywood (the supplier of the administration and payroll platform) and Northamptonshire County Council (NCC) IT Services to obtain documented evidence of these organisations BCPs and disaster recovery processes to ensure that the continuity of service with minimal interruption.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Investigate current business continuity arrangements with key partners	June to July 2020	Amber  rescheduled Oct 2020
Update Business Continuity Plan	August 2020	Amber  rescheduled Nov 2020
Scrutiny of Business Continuity arrangements by Local Pension Board	November 2020	Amber  rescheduled Jan 2021
Update Pension Fund Committee on Business Continuity arrangements	December 2020	Amber  rescheduled Mar 2021

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

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

**Update:** This activity is running behind schedule due to the impacts of the pandemic. The Employer Services and Systems Manager attended a Cyber Security and Risk Management webinar held by legal firm Burgess Salmon on 16 July 2020, with other events being cancelled. Due to pressures on local IT support, it has also not been possible to consult with IT services over current arrangements within NCC's networks.

Aquila Heywood has provided a report detailing the results of a cyber-security review carried out in February 2020. This included a review by independent consultants who concluded that Aquila Heywood's security controls are "well secured" and "good standards" have been "well implemented". In relation to the application suite, the independent consultants were unable to bypass security controls and noted that the applications support strong encryption.

<u>Key milestone</u>	<u>Due for completion</u>	<u>Status</u>
Obtain specialist advice in connection with cyber-crime	July 2020	Amber -  rescheduled to between Sept & Dec 2020
Investigate current security and other measures designed to mitigate cyber-crime	July – Sept 2020	Amber -  rescheduled to between Sept & Dec 2020
Develop action plan	October 20 - Jan 21	Amber -  rescheduled between Nov 20 & Feb 21
Implement action plan	From February 2021	Green

### 3.1.3 SD4 - Extension of existing pensions administration and payroll software

**Action:** The Fund currently uses Heywood Ltd's Altair as its pensions administration and payroll software. The contract with Heywood Ltd is due to expire on 30 September 2021 and includes the option of a fixed 3-year extension. A framework has been launched by the National LGPS Framework for pensions administration and payroll software that operates from April 2020 to April 2024. The framework has 3 suppliers on it – Heywood Ltd, Civica UK Ltd, and Equiniti and contracts are for 7 years plus a maximum of 3 years.

**Update:** Complete. At the Pension Fund Committee meeting held in June 2020 it was agreed that the existing contract with Heywood would be extended by 3 years to end on 30 September 2024 with a competitive procurement process scheduled for at least 18 months in advance of this date. Heywood have confirmed their formal agreement to the extension and related i-Connect and hosting contracts have been made co-terminus.

<u>Key milestone</u>	<u>Due for completion</u>	<u>Status</u>
Extend existing Aquila Heywood Ltd contract	June to August 20	Completed
Undertake competitive procurement process using the National LGPS Framework	April 2023 to September 2023	Green
Project to transition to new supplier (if new supplier successful)	October 2023 to September 2024	Green

### 3.2 Governance and compliance (GC)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
GC1	Complete the Guaranteed Minimum Pension Rectification	✓	✓	✓	✓	✓	

### 3.2.1 GC1 Complete the Guaranteed Minimum Pension Rectification

**Action:** Following the end of contracting-out on 6 April 2016 it has been necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. The Fund outsourced the majority of the reconciliation and rectification exercise to ITM Limited. The reconciliation stage of this completed in 2019/20 however following the delay in HMRC issuing the final file of data, the rectification stage has not been able to fully commence.

**Update:** The delay in HMRC issuing the final data file has impacted the completion of this activity. The final file of data has now been received and ITM Limited are currently undertaking a further piece of work to ensure that correct information is used when the rectification of member's records is undertaken, due to HMRC's data containing errors. Rectification of member records should commence in November 2020.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Receipt of final data file from HMRC	June 2020	Amber  Delayed - data supplied by HMRC in July 20.
ITM Limited to supply data on which member records require rectification	September 2020	Amber  Delayed expected November 2020
Produce project plan to rectify records	October 2020	Amber  Rescheduled to November 2020
Implement project plan	November 2020 to December 2021	Green

### 3.3 Communications, Systems and Employer Management (CSEM)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
CSEM1	Undertake a digital strategy review	✓	✓	✓	✓		
CSEM4	Implement multiple investment strategies	✓	✓	✓	✓	✓	

### 3.3.1 CSEM1 – Undertake a digital strategy review

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

**Update:** Over 94% of employers now submit their data monthly via the new i-Connect portal as the project nears completion. Shaw Trust have completed their accessibility audit of the LGSS Pensions websites and the accessibility statements have been updated and published. Scoping work continues to help populate the digital processing plan and employers are now inputting their contribution returns directly on to an online form on the website, whilst members can now upload documents securely to their online pension account.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Complete roll out of monthly employer data collection	2020/21	Green
Undertake website accessibility review	April to October 2020	Completed
Formulate digital processing plan	June to December 2020	Green
Investigate the feasibility of using e-forms	April to December 2020	Completed

### 3.3.2 CSEM4 – Implement multiple investment strategies

**Action:** With an increasing number and variety of scheme employers 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.

**Update:** A half day workshop was held by the Fund’s actuarial advisors for officers on 15 September to discuss appropriate options for employer categorisation, structure of the different investment buckets and asset allocations within those buckets and to refine the next steps. Further stages of this activity are subject to Committee approval with regards to the expenditure required.

<u>Key milestones</u> Work with the Fund's advisors to assess possible appropriate options	<u>Due for Completion</u> June to September 2020	<u>Status</u> Completed
Present progress update to the Pension Fund Committee and seek approval for next stages	December 2020	Amber  Rescheduled from October 2020
Modelling of different investment strategies	December 2020 to February 2021	Subject to prior Committee decision
Agreement and implementation of multiple investment strategies	2021/22	Subject to prior decisions

### 3.4 Operations (OPS)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
OPS1	Resolution of undecided leavers	✓	✓	✓	✓		
OPS2	Scope and conduct potential liability reduction exercises	✓	✓	✓	✓		

#### 3.4.1 OPS1 – Resolution of undecided leavers

**Action:** 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 primarily due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment or 2) scheme employers providing late monthly reporting.

As at April 2020 the number of unprocessed leavers had reduced from 11,082 to 9,636 inclusive of BAU volumes. The target for 2020-21 is to reduce the number of unprocessed leavers to approximately 5,000 cases by the end of the year and then down to BAU volumes during 2021-22.

**Update:** Undecided leaver cases had been reducing slowly monthly, however due to an influx of 1,000+ leavers in September (compared to 400-500 on average), progress has slowed. This has coincided with a temporary Altair system fault with auto-amalgamations, which will shortly be fixed by our software suppliers. As a result, the number of unprocessed leavers at the end of September was 10,147. This means we are targeting the clearance of approximately 5,000 cases by the end of March 2021, supported by Aon.

<u>Key milestones</u> Baseline backlog cases for reporting	<u>Due for Completion</u> April 2020	<u>Status</u> Complete
---------------------------------------------------------------	-----------------------------------------	---------------------------

purposes

Aon clearance of approximately 1,300	By March 2021	Amber
		started processing late
Internal clearance of cases to reduce volumes to 5,000 cases	By March 2021	Amber
		clearance slower than expected
Internal clearance of cases to reduce volume to circa 3,000 (including contingency for any not processed in 2020-21)	2021/22	Green

#### 3.4.2 OPS2 – Scope and conduct potential liability reduction exercises

**Action:** 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's 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.

**Update:** As of September 2020 1,066 out of 6,941 members had been contacted and been given the opportunity to claim a frozen refund. 79 members had requested and received a refund.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Scope exercise (refunds)	May 2020	Completed
Formulate project plan (refunds)	June 2020	Completed
Conduct exercise (refunds)	Thru to end of 2021/22	Green
Scope exercise, formulate project plan and conduct exercise (small commutable pensions)	2022/23	Green

### 3.5 Investments and fund accountancy (INV)

#### 3.5.1 INV1 – Implement strategic allocation to fixed income

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

**Update:** In July 2020 the ISC approved the selection of two Multi Asset Credit (MAC) funds following presentations by five investment firms on 26 June 2020, the Fund's allocation to be divided equally between the two MAC funds. Subscriptions to the new funds were completed on 2 September 2020. At the meeting of the Investment Sub-Committee (ISC) on 3 September 2020, it was agreed to recommend an increase in the strategic allocation to MAC from 7% to 10%. This was approved by the Pension Fund Committee in October 2020.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Agree scope and allocation(s)	July to September 2020	Complete subject to additional strategic allocation
Undertake manager selection	November 2020 to February 2021	Completed
Implementation	March 2021 to June 2021	Complete subject to additional strategic allocation

#### 3.5.2 INV3 - Continue development of the asset pool

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

**Update:** The roll-out of ACCESS sub-funds has been delayed due to resources of some ACCESS member funds being diverted to support COVID-19 critical services. The liquid sub-fund programme continues to progress but at a slower pace than originally planned. The launches of Fixed Income sub-funds have hit a number of technical issues for which solutions have not been identified and therefore the time frame for completion is uncertain.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Liquid Assets – Complete remaining Tranches as they arise.	June 2020	Amber - delayed due to COVID



Support.

Liquid Assets – Support the establishment of an Emerging Markets equities sub fund	March 2021	Green – Future activity
Illiquid Assets – Continue to support the illiquid 2020/21 to 2021/22 assets pooling solution		Green - Future activity

### 3.5.3 INV4 - Tender for an independent investment advisor

**Action:** In September 2019 the Investment Sub-Committee resolved to procure an independent investment advisor for the Fund. The procurement commenced in quarter 4 of 2019/20, however due to COVID-19 the award of contract date remains uncertain until face-to-face interviews can be undertaken.

**Update:** Ten parties submitted responses to the Request for Tender (RFQ) of which seven met the benchmark requirement and were admitted to the second stage interviews which were held during September. The successful party will be introduced at the November Investment Sub Committee.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Launch tender	June 2020	Completed
Complete tender	September 2020	Completed

### 3.5.4 INV5- Reviews the Fund's Responsible Investment Policy

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

Due to the pandemic the training will be provided remotely via suitable media applications to maintain momentum with regard to this initiative.

Concurrently the Fund will obtain an RI report to commence the journey to better understand where the Fund benchmarks across a spectrum of ESG and carbon foot printing, the key aspects of which was presented at the July training event.

**Update:** Further to the Responsible Investment (RI) information day on 15th July 2020 attendees from the Pension Fund Committee and Local Pension Board completed a survey of RI beliefs from which a RI beliefs statement was drafted and presented to the September meeting of the ISC. The statement and eventual RI policy will be incorporated in the Fund's Investment Strategy Statement when reissued during 2021.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Production of ESG and Carbon foot-printing Benchmarking report	May 2020	Completed
Deliver responsible Investment Training	July 2020	Completed

(Information Day)

Undertake Responsible Investment beliefs survey	July 2020	Completed
Develop Responsible Investment Policy	August to Dec 2020	Green
Incorporate Responsible Investment Policy Into Investment Strategy	March 2021	Green
Consultation on revised Investment Strategy	Apr 2021 to Jun 2021	Green

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

**Action:** The Pension Fund Committee approved in principle the collective procurement of a global custodian, alongside ACCESS partners, in time to transition the Fund's custody arrangements to the chosen provider (if not the existing provider) before the expiry of the Fund's extended contract with Northern Trust. Delivery of this activity is firstly, dependent upon collaboration with fellow LGPS Funds in the creation of a procurement framework and secondly with ACCESS partners in calling off the new framework. Note the Fund has extended its existing global custody arrangements until 30<sup>th</sup> September 2021.

**Update:** Officers have worked with the wider National LGPS Frameworks community, which has been supported by Mercer, to develop a specification for the procurement, which has included market engagement sessions with potential suppliers to refine requirements.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Work with other LGPS funds to create a framework	April 20 to January 21	Green
Work with ACCESS partners to call off a common custodian	Dec 2020 to June 2021	Green
Complete transition to the new Custodian (if required)	July 2021 to Sep 2021	Green

4. Relevant Fund objectives

4.1 To continually monitor and measure clearly-articulated objectives through business planning.

5. Risk Management

5.1 The Pension Fund Committee approves the Annual Business Plan and Medium-Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Pension Fund Board at every meeting.

- 5.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below:

Risk No.	Risk	Residual risk rating
8.	Those charged with the governance are unable to fulfil their responsibilities effectively	Green
14.	Failure to administer the scheme in line with regulations and guidance	Green
16.	Pension Fund objectives not defined and agreed	Green

- 5.3 A full version of the Fund risk register can be found at the following link –  
<https://pensions.northamptonshire.gov.uk/app/uploads/2020/06/CPFRiskRegisterJune20.pdf>

## 6. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Fund Committee and Pension Fund Board at each meeting.
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## 7. Finance & Resources Implications

- 7.1 Any updated financial implications are set out in the relevant activities.

## 8. Legal Implications

- 8.1 Not applicable

## 9. Consultation with Key Advisers

- 9.1 Consultation with the Fund's advisers was not required for this report.

## 10. Alternative Options Considered

- 10.1 Not applicable

## 11. Background Papers

- 11.1 Annual Business Plan and Medium Term Strategy 2020/21 –  
<https://pensions.northamptonshire.gov.uk/app/uploads/2020/07/AnnualBusinessPlanAndMediumTermStrategyCambridgeshire2020.21.pdf>

## 12. Appendices

- 12.1 Appendix 1 – Full list of Key Fund Activities for the 2020/21 financial year.

- 12.2 Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Checklist of Key Approvals	
Has this report been cleared by the Head of Pensions?	Mark Whitby – 26 <sup>th</sup> October 20

Appendix 1 – Full list of Key Fund Activities for the 2020/21 financial year.

Service delivery

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

Governance and Compliance

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

## Communications, Systems and Employer Management

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

## Operations

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
OPS1	Resolution of unprocessed leaver records	✓	✓	✓	✓		
OPS2	Scope and conduct potential liability reduction exercises	✓	✓	✓	✓	✓	✓

## Investments

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

INV7	Re-tender collaboratively with ACCESS partners to procure a global custody services provider	✓	✓	✓	✓	✓	
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Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions

Fund Account	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	130,000	130,000	-	
Transfers in from other pension funds	5,200	5,200	-	
<b>Total income</b>	<b>135,200</b>	<b>135,200</b>	<b>-</b>	
Benefits payable	(114,000)	(114,000)	-	
Payments to and on account of leavers	(10,200)	(10,200)	-	
<b>Total Payments</b>	<b>(124,200)</b>	<b>(124,200)</b>	<b>-</b>	
	<b>11,000</b>	<b>11,000</b>	<b>-</b>	
Management Expenses	(5,149)	(5,226)	77	See analysis below.
<b>Total income less expenditure</b>	<b>5,851</b>	<b>5,774</b>	<b>77</b>	
Investment income	40,000	28,000	<b>-12,000</b>	30% income decline. Average estimated by investment managers.
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	69,000	69,000	-	
<b>Net return on investments</b>	<b>109,000</b>	<b>97,000</b>	<b>-12,000</b>	
<b>Net increase/(decreas e) in the net assets available for benefits during the year</b>	<b>114,851</b>	<b>102,774</b>	<b>-11,923</b>	

Management Expenses	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	-2,644	-2,734	90	See analysis below.
Total Governance Expenses	-784	-771	-13	Decrease in Cllr training and hire of facilities due to COVID 19
Total Investment Invoiced Expenses	-1,721	-1,721	-	
Total Management Expenses	-5,149	-5,226	77	

Administration Expenses Analysis	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,423	-1,517	94	Vacancy factor lower than forecast due to COVID-19 plus the addition of one Pension Officer within Service. There has been a reduction in agency cost and staff training costs.
Altair System and payroll system	-336	-349	13	Additional internal software licensing costs
Data Improvement Projects	-313	-327	14	Additional software licensing costs for third party project activity
Communications	-71	-68	-3	
Other Non-Pay and Income	-16	-12	-28	Income currently higher than expenditure
County Council Overhead Recovery	-485	-485	-	
Total Administration Expenses	-2,644	-2,734	90	



Pension Fund Board

6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Pension Fund Board with information on: 1) The activities of the Scheme Advisory Board (section 2) 2) Legislative updates (section 3) 3) Government consultations affecting the LGPS (section 4) 4) Skills and knowledge opportunities (section 5 and appendix 3).
Recommendations	That the Pension Fund Board notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

1. Background

- 1.1 This is a standing report that identifies issues concerning the governance of the Local Government Pension Scheme (LGPS) and also potential, new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. The Scheme Advisory Board

2.1 Good Governance Review

- 2.1.1 Following the delivery of the phase 2 report in 2019 of which the detail was presented at the Information Day held at Wyboston Lakes on 6<sup>th</sup> March 2020, the Scheme Advisory Board have requested that Hymans Robertson work on more detailed implementation proposals with the working group focussing on the areas of the LGPS Senior Officer role, service delivery key performance indicators and the independent governance review process.

- 2.1.2 It was anticipated that by the end of September 2020 three key deliverables would be agreed with the working group as follows:

- A report setting out implementation advice for the proposals in phase 2.
- A sample version of what a Fund's new governance compliance statement might look like.
- A sample independent governance review report that would aid in the development of procurement proposals in respect of the independence governance review process.

- 2.1.3 The timetable thereafter will depend on the capacity within the Ministry of Housing Communities and Local Government (MHCLG) and other LGPS stakeholders to progress to implementation of the proposals and to consult on the formal guidance.
3. Legislation update
- 3.1 Goodwin vs the Department of Education
- 3.1.1 Following the Walker vs Innospec Supreme Court ruling the government recently decided that surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members will receive benefits equivalent to those received by widows of opposite sex marriages.
- 3.1.2 A newer case earlier this year (Goodwin vs DoE) highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where male survivors of female scheme members will now be entitled to a lower survivor benefit than a comparable same sex survivor.
- 3.1.3 The government has concluded that changes are required to the Teachers' Pension Scheme and other public service pension schemes to address this discrimination. A consultation on the required changes to the regulations is expected very shortly. All members affected back to 5<sup>th</sup> December 2005 will need to be contacted and notified of the changes once the regulations are amended.
- 3.2 LGPS Amendment Regulations
- 3.2.1 On 26<sup>th</sup> August 2020 MHCLG published its latest partial response to the May 2019 consultation 'Changes to the local valuation cycle and management of employer risk'. The accompanying amendment regulations have also been made and came into force on 23<sup>rd</sup> September 2020. The new regulations provide more flexibility for Funds to manage risk in 3 key areas:
- Inter-valuation reviews of employer contributions
  - Spreading of exit debts
  - Deferred Debt Agreements
- 3.2.2 The regulations require Fund to have policies in place around these new powers and MHCLG intends to develop guidance in collaboration with the Scheme Advisory Board and CIPFA. Amendments to the Cambridgeshire Pension Fund policies will be presented to the Pension Fund Board at a future meeting.
4. Consultations
- 4.1 Public Sector Exit Payment Cap
- 4.1.1 The government first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019 HM Treasury launched a consultation on the draft regulations, guidance and Directions to implement the cap. HM Treasury published its response to the consultation on 21 July 2020. The regulations have now been published and will be followed by updated guidance and the HM Treasury Directions. The cap will apply to all the public service employers as detailed on the schedule alongside the regulations.

- 4.1.2 The exit payment cap is set at a total of £95,000 with no provision for this amount to be index linked. Exit payments must include redundancy payments (including statutory redundancy, severance payments, pension strain costs which arise when a LGPS pension is paid unreduced before a member's normal pension age and other such payments made as a consequence of termination of employment).
- 4.1.3 The amount of an individual's statutory redundancy payment cannot be reduced. If the cap is exceeded by other elements of the total exit payment package, those other elements must be reduced to achieve an exit payment of £95,000 or less.
- 4.1.4 The exit payment cap will be in force with effect from 4 November 2020.
- 4.1.5 There are circumstances when the cap must or may be relaxed by a minister or the authority. However, this is likely to be only subject to consent by HM Treasury even if it is passed by full Council. Employers are required to record and publish information about any decisions made to relax the cap.
- 4.1.6 An individual that receives an exit payment must inform any other public body that employs them about that payment. An employer must ensure that any exit payment does not exceed the cap (unless permitted by the relaxation Directions) and, where a non-compliant payment is made, recover any overpayment subject to a value for money assessment.
- 4.1.7 The government's response to the consultation can be found in appendix 1.
- 4.2 Reforming Local Government Exit Pay
- 4.2.1 On 7 September 2020, the Ministry of Housing, Communities and Local Government (MHCLG) released a consultation on the proposals on reforming local government exit pay. The consultation specifically affects individuals who are eligible to be members of the LGPS (in England). The consultation closes on 9 November 2020.
- 4.2.2 The consultation has 3 main proposals on which views are being sought:
1. A maximum tariff for the calculation of exit payments of 3 weeks' pay per year of service.
  2. A ceiling of 15 months/66 weeks that can be paid as redundancy compensation payment.
  3. A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed annually using an appropriate mechanism (such as the consumer price index).
- 4.2.3 The consultation proposes introducing an element of choice into the current arrangements. At present employees may have no option but to take immediate payment of their pension on redundancy. MHCLG have recognised that in current times individuals have good reasons for wanting to work longer but also recognise that for those who have carried out demanding work throughout their adult lives should have the security of a reliable income with a suitable enhancement.
- 4.2.4 MHCLG are proposing that for members of the LGPS who are at least 55 when made redundant the benefits and associated strain cost due from the employer should be limited as follows:

- The strain cost cannot exceed the overall cap contained in the exit payment regulations (£95k)
- Strain cost will be further reduced by the value of any statutory redundancy payment required (which the employee will still receive as a cash payment)
- A further reduction would be made to reflect any voluntary payments made to cover a grant of additional pension (regulation 31 of the LGPS Regulations 2013)
- Any reduction in the strain cost due to the above limitations may be made up by the employee from their own resources
- The member will receive an actuarially adjusted pension benefit in line with revised strain cost under these provisions.

4.2.5 Upon request for clarification of the proposals detailed in 4.2.4 MHCLG confirmed that their intention was that any member retiring on redundancy grounds from an English council/academy with unreduced LGPS benefits will receive no discretionary redundancy payment and will have to pay the fund a sum equal to their statutory redundancy payment. To all intents and purposes the individual will receive no redundancy pay. This is the case regardless of pay and the value of the redundancy package.

4.2.6 The options available for members in such cases would be to choose which one of the elements they want to give up (that are currently all provided in full):

- Give up any entitlement to a discretionary redundancy payment and discretionary additional lump sum payment, and pay a sum equivalent to their statutory redundancy payment to the pension fund if they want full pension paid immediately,
- Give up any entitlement to a discretionary redundancy payment and discretionary additional lump sum payment plus some pension (ie it is partially reduced) if they want it paid immediately and to also retain the statutory redundancy payment,
- Give up immediate payment of pension (ie have full pension deferred to normal pension age) and also retain the statutory redundancy payment and any entitlement to a discretionary redundancy payment and discretionary additional lump sum payment available under their employer's policy in relation to the reformed compensation arrangements,
- Give up immediate payment of pension with no early payment reduction, but take immediate payment of pension with full early payment reductions (ie as if they had retired voluntarily thus not triggering any strain cost for the employer) and also retain the statutory redundancy payment and any entitlement to a discretionary redundancy payment and discretionary additional lump sum payment available under their employer's policy in relation to the reformed compensation arrangements.

4.2.7 The above proposals have surprised the LGPS community and as such the LGPS Scheme Advisory Board is currently working to achieve further clarity from MHCLG.

- 4.2.8 Officers will be monitoring developments closely with a view to responding to the consultation by the closing date of the 9 November. The consultation response on behalf of the administering authority, will be shared with the Pension Fund Board and Pension Fund Committee prior to submission.
- 4.2.9 The MHCLG consultation can be found in appendix 2.
- 4.3 McCloud
- 4.3.1 A 12-week consultation on the proposed changes to the LGPS regulations as a result of the age discrimination remedy resulting from McCloud commenced in July with a closing date of 8 October 2020.
- 4.3.2 Officers have submitted a response to this consultation as approved by the Chairman and Vice Chairman of the Pension Fund Board. The response on behalf of the administering authority was circulated to members of the Pension Fund Board alongside the government consultation document.
- 4.3.3 A more detailed report on the detail of the proposals within the consultation and an analysis of the resources required to deliver the appropriate outcomes to scheme members is to be presented at this meeting.
5. LGPS National Knowledge Assessment
- 5.1 In February 2020 Hymans Robertson launched their LGPS National Knowledge Assessment (NKA) following their LGPS National Confidence Assessment published in 2018. The NKA looks at the knowledge levels of both Pension Fund Committee and Local Pension Board members, individually and collectively.
- 5.2 Approximately 225 Pension Committee and Local Pension Board members across 20 administering authorities participated in the assessment which was based on the 8 areas of knowledge identified in the CIPFA Skills and Knowledge Framework. The findings, published in August 2020, are as follows:

Knowledge area	Knowledge % (as determined through a series of questions with multiple choice answers)%
Financial markets and product knowledge	83%
Committee role and pensions legislation	71%
Pensions governance	69%
Investment performance and risk management	68%
Pensions accounting and audit standards	68%
Procurement and relationship management	67%
Pensions administration	59%
Actuarial methods, standards and practices	53%

- 5.3 Further findings are detailed in the full report found at the following link and will be incorporated into the Fund's revised skills and knowledge strategy and plan to be presented to the Pension Fund Board at a future meeting.

[https://www.hymans.co.uk/media/uploads/LGPS\\_National\\_Knowledge\\_Assessment\\_Report.pdf](https://www.hymans.co.uk/media/uploads/LGPS_National_Knowledge_Assessment_Report.pdf)

- 5.4 The Scheme Advisory Board will also be using these findings in the development of proposals of the Good Governance Review.
6. Skills and knowledge opportunities – training events
- 6.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Board to maintain the necessary skills and knowledge to undertake their role effectively.
- 6.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board appendix 3 lists the main events that are deemed useful and appropriate.
- 6.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.
- 6.4 It should be noted that the schedule of events in appendix 3 details only the events that are known to be taking place during the pandemic and are virtual/online events only. As soon confirmation is received that face-to-face events are able to be held an amended schedule of events will be issued.

## 7. Relevant Pension Fund Objectives

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. <i>Objective 1</i>
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

## 8. Risk Management

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

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

- 8.3 The Fund's risk register can be found on the LGSS Pensions website at the following link:  
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

## 9. Finance & Resources Implications

- 9.1 There are no financial or resource implications connected to the contents of this report is for information only.

## 10. Communication Implications

Training	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
Employers	All relevant items are communicated to scheme employers via website updates.

## 11. Legal Implications

- 11.1 There are no legal implications connected to the contents of this report as this report is for information only.

## 12. Consultation with Key Advisers

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

## 13. Alternative Options Considered

- 13.1 There are no alternative options to be considered.

## 14. Background Papers

- 14.1 Not applicable.

## 15. Appendices

- 15.1 Appendix 1 - Government consultation response on the public sector exit cap (July 2020)  
15.2 Appendix 2 – MHCLG consultation on public sector exit pay reforms (September 2020)  
15.3 Appendix 3 – Schedule of virtual training events.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 21 <sup>st</sup> October 2020



# Public sector exit payments:

## Response to the consultation

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21 July 2020



## Public sector exit payments: Response to the consultation

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# Chapter 1

## Introduction

- 1.1 The government published a consultation on 10 April 2019 seeking views on regulations implementing a £95,000 cap on exit payments in the public sector. The consultation closed on 3 July 2019.
- 1.2 The consultation received around 600 responses.
- 1.3 These responses highlighted complexities different bodies and workforces may experience in applying the regulations. We are extremely grateful for all responses received and the government will continue to refer to them whilst finalising the regulations.
- 1.4 The draft documents that were consulted on including: regulations, guidance document, consultation document and directions, can be found [here](#).
- 1.5 Based on responses to the consultation, the government will make revisions to the regulations and guidance, as explained below. The final versions of these documents will be published at a later date.
- 1.6 The government will take forward these proposals through secondary legislation in the form of affirmative regulations. The final regulations will include details on when the cap will come into force.

# Chapter 2

## Summary of policy

- 2.1 The Small Business, Enterprise and Employment Act 2015 ('the 2015 Act') as amended by the Enterprise Act 2016 ('the 2016 Act') provides the power for HM Treasury to make regulations implementing a £95,000 cap on exit payments in the public sector.
- 2.2 The cap of £95,000 will apply to the aggregate sum of payments made in consequence of termination of employment. The relevant payments in scope remain the same as in the regulations published on 10 April 2019.
- 2.3 The cap also applies where two or more relevant public sector exits occur in respect of the same person within any period of 28 consecutive days. The total amount of all exit payments made to that person must not exceed £95,000.
- 2.4 Following consultation, the government has decided to no longer implement the cap in two stages and will instead capture the whole public sector as soon as possible, with few exceptions. The final schedule listing all public sector bodies the cap will apply to is contained within the regulations.
- 2.5 The Scottish Government introduced a £95,000 cap on exit payments made by devolved bodies in September 2019 by updating the Scottish Public Finance Manual.
- 2.6 The guidance and directions published at consultation set out circumstances and the process for when the mandatory waiver must be used to relax the cap, and the discretionary waiver can be used. Any relaxation outside of the circumstances outlined in the directions can only be done with HM Treasury consent. Updated versions of these documents will be published alongside the final regulations.
- 2.7 The power to relax the cap may be exercised by a Minister of the Crown, unless the regulations provide for that power to be exercised by another person.
- 2.8 Updated regulations and guidance documents will be published alongside the regulations coming into force.
- 2.9 The government remains committed to ensuring exit payments can be recovered when high-paid public servants move between jobs and will take forward further regulations in due course.

# Chapter 3

## Consultation response

- 3.1 This document forms the government response to the consultation on the regulations to implement the public sector exit payment cap.
- 3.2 Section 1 of this chapter reviews responses to consultation questions 1, 2 and 3, focusing on public sector organisations within scope of the exit payment cap.
- 3.3 Section 2 of this chapter reviews responses commenting on payments in scope of the cap.
- 3.4 Section 3 of this chapter reviews responses to consultation questions 4, 5 and 6, focusing on the guidance and the waiver process.
- 3.5 Section 4 of this chapter reviews responses to consultation questions 7 and 8, regarding the impact of the cap.
- 3.6 Section 5 of this chapter details other drafting changes made during and as a result of the consultation process.

### Section 1: Bodies in scope

#### Summary of responses

- 3.7 The majority of respondents agreed that draft schedule 1 accurately captured the public sector bodies and office holders intended.
- 3.8 A significant amount of responses did not agree with the staged approach and believed the cap should apply to the whole of the public sector immediately. Some respondents also subsequently disagreed with the proposed exemptions for the Armed Forces, the Secret Intelligence Service, the Security Service, and Government Communications Headquarters.
- 3.9 Other responses requested additional exemptions for particular bodies for other reasons, including the government's typical role in overseeing the organisation and the contractual nature of the relationship between the individuals and the employer.
- 3.10 Some responses expressed concern that a newly created public sector body will not be in scope until it has been added to the schedule.

#### Government response

- 3.11 Following consultation, the government has decided to no longer proceed with a staged approach. The cap will now apply across all of the public sector when implemented. This approach will ensure that the cap applies where intended to ensure value for money as soon as feasible.



- 3.12 The final schedule listing all public sector bodies the cap will apply to will be published at a later date ahead of the regulations coming into force.
- 3.13 The Armed Forces, the Secret Intelligence Service, the Security Service, and Government Communications Headquarters will continue to be exempted due to the unique natures of the careers of their staff and the core role of compensation and resettlement packages within remuneration arrangements. The government expects that these bodies will ensure they are making value for money exit payments that are fair to the taxpayer.
- 3.14 The Royal Bank of Scotland Group plc, NRAM Limited, and Bradford & Bingley will be excluded from the scope of the regulations. Government intervened in these firms to protect financial and economic stability, with policy being to return them to the private sector when it represents value for money to do so and market conditions allow. Excluding these firms is deemed to be proportionate to ensure Government can exit its temporary ownership of these companies in a way that represents value for money.
- 3.15 The power to make regulations implementing a cap is provided in the 2015 Act as amended by the 2016 Act and as a result the cap will take precedence over existing contractual agreements where they are less stringent than the exit payment cap regulations.
- 3.16 The schedule will be kept under review to assess whether any further bodies should be added, including as a result of Machinery of Government changes. It is our expectation that government departments will inform HM Treasury of any new bodies which should be in scope of the cap, and if any bodies listed on the schedule cease to exist.

## Section 2: Payments in scope

### Summary of responses

- 3.17 Respondents generally did not comment on the overall list of exit payments in scope.
- 3.18 A significant amount of responses, however, expressed concern over the inclusion of employer funded early access to pensions (pension top-up payments) within scope of the exit payment cap and how this could affect long serving lower earning employees. Some also argued that this would be discriminatory towards older workers.
- 3.19 Respondents welcomed the exemption for specific payments connected to the Firefighters Pension Scheme.
- 3.20 Some responses requested clarity on the order in which payments should be capped.

### Government response

- 3.21 The government believes it is right to include all payments related to exit within scope of the cap. The option of employer-funded early retirement is

often the most costly element of an exit payment and is ultimately funded by the taxpayer so it is right that it is included.

- 3.22 The government has expressed its expectation that pension schemes, employment contracts, and compensation schemes will be amended to reflect the introduction of the cap. The exit payment cap legislation will allow relevant employers and authorities to pay the pension scheme member an equivalent sum if the pension scheme has not been amended to reflect the introduction of the cap. Any further changes should be taken forward by the relevant scheme and sponsoring department.
- 3.23 The government has reviewed payments exempt from the cap and believes it is fair and consistent to also exempt payments made in respect of injury to feelings.
- 3.24 The order in which payments made in respect of an exit are to be capped has not been prescribed with the exception relating to multiple exit payments made by an employer which includes a statutory redundancy payment. This allows employers and employees discretion and flexibility based on individual circumstances. Individuals are entitled to receive their full statutory redundancy sum and our expectation is that, in the majority of cases, employers would cap the contractual redundancy lump-sum in excess of the statutory entitlement to allow for the full pension top up and statutory redundancy to be paid.

## Section 3: Waiver

### Summary of responses

- 3.25 Respondents were typically welcoming of the inclusion of a discretionary waiver but questioned how the overall waiver system would work in practice. This was particularly the case for local authorities, where the power to waive the cap is delegated to full council, who raised concerns over how long the process would take.
- 3.26 Respondents confirmed the guidance was clear on how to apply the waiver in the case of whistleblowers. Many responses highlighted that the mandatory waiver for discrimination and whistleblowing claims should also be extended to health and safety related detriment and unfair dismissal claims.
- 3.27 Respondents that commented on the mandatory waiver for workers transferred under TUPE were welcoming of this being included within scope of the relaxation criteria.

### Government response

- 3.28 The waiver process is designed to ensure that the cap can be relaxed in exceptional circumstances where it is necessary or desirable. The government is committed to making the process for considering waivers efficient in order to not cause any unnecessary delays for public sector employers and

employees, whilst ensuring that cases receive sufficient and appropriate scrutiny.

- 3.29 The waiver process has been designed to ensure there is accountability for the way the waiver is being used at all stages, therefore it's appropriate that uses of the waiver receive ministerial clearance. If needed, further guidance may be provided by the sponsoring department or employer.
- 3.30 The government will provide policy direction in the published guidance document, however, employers should consult legal advisors on specific cases, including with regards to the mandatory TUPE waiver, once the cap comes into force.
- 3.31 The government agrees that the mandatory waiver should be extended to include health and safety related detriment and unfair dismissal claims and will update the directions to reflect this.
- 3.32 The mandatory waiver provisions in the directions made under the regulations will also be extended to employees of UK Asset Resolution (UKAR) if necessary in due course. The waiver will cover any payment on account of dismissal by reason of redundancy. Other exit related payments to UKAR employees, such as payment in lieu of notice, will remain in scope of the cap. This is on the basis that UKAR may need to make redundancy payments in the future as part of its activities to wind down the government's holdings in NRAM Limited and Bradford & Bingley. The guidance and directions will be updated when required to reflect this.

## Section 4: Impacts

### Summary of responses

- 3.33 Responses raised concern that the government had not published an equalities impact assessment since the previous consultation in 2016.
- 3.34 A significant amount of responses raised concerns that there was no provision to uprate the £95,000 figure over time. They flagged that this would lead to more lower earning employees being captured. Many suggested index linking the cap with the rate of inflation.

### Government response

- 3.35 An impact assessment was conducted ahead of the passage of the primary legislation and published along with the consultation on the primary legislation. An updated assessment has been conducted based on the final regulations amended in line with this consultation response. This updated impact assessment will be published with the final guidance alongside the regulations coming into force.
- 3.36 The primary legislation allows the government to change the level of the cap through further secondary legislation. Whilst we do not propose to change the level of the cap at this stage, the level of the cap will be kept under review in order to allow for a flexible approach to make decisions on the level of the cap with reference to full contextual factors.

## Section 5: Regulations

- 3.37 The government will publish updated regulations and guidance documents alongside the regulations coming into force. These documents will take into account the detailed responses provided by stakeholders as part of the consultation process.
- 3.38 Respondents highlighted discrepancies between the draft regulations and draft guidance which have been amended to ensure clarity.
- 3.39 We have adjusted the guidance to clarify that the only part of any payment in lieu of notice that will be capped is the amount that exceeds a quarter of the individuals' salary.



# Annex A

## List of respondents

The following organisations submitted responses to the consultation:

Arun District Council	East Staffordshire Borough Council
Aylesbury Vale District Council	East Sussex County Council
Barnsley Metropolitan Borough Council	Eastbourne Borough Council
Basildon Borough Council	Erewash Borough Council
Bedford Borough Council	Exeter City Council
Birmingham City Council	Flintshire County Council
Blackburn with Darwen Borough Council	Forest of Dean District Council
Blaenau Gwent County Borough Council	Gateshead Council
Bracknell Forest Council	Gedling Borough Council
Brent Council	Gloucester City Council
Bridgend County Borough Council	Greater London Authority
Bristol City Council	Guilford Borough Council
Broxtowe Borough Council	Gwynedd Council
Buckinghamshire County Council	Hampshire County Council
Bury Council	Hartlepool Borough Council
Cambridge City Council	Huntingdonshire District Council
Cambridgeshire County Council	Kent County Council
Canterbury City Council	Kettering Borough Council
Carmarthenshire County Council	Lancashire County Council
Chelmsford City Council	Leeds City Council
Cheltenham Borough Council	Lincolnshire County Council
Cheshire East Council	London Borough of Camden
Cheshire West and Chester Council	London Borough of Enfield
Chiltern and South Bucks District Councils	London Borough of Hackney
City of Lincoln Council	London Borough of Hammersmith and Fulham
City of Wolverhampton Council	London Borough of Havering
Colchester Borough Council	London Borough of Tower Hamlets
Cornwall Council	Manchester City Council
Costessey Town Council	Melton Borough Council
Cotswold District Council	Middlesbrough Council
Crawley Borough Council	Milton Keynes Council
Cumbria County Council	Monmouthshire County Council
Darlington Borough Council	Neath Port Talbot County Borough Council
Daventry District Council	Newcastle City Council
Derby City Council	Newport Pagnell Town Council
Derbyshire County Council	North East Lincolnshire Council
Devon County Council	North Kesteven District Council
East Midlands Councils	North Lincolnshire Council
East Riding of Yorkshire Council	North Tyneside Council
	North Yorkshire County Council
	Northamptonshire County Council

Oldham Council  
 Oxfordshire County Council  
 Peterborough City Council  
 Plymouth City Council  
 Portsmouth City Council  
 Redcar and Cleveland Borough Council  
 Rhondda Cynon Taf Council  
 Ribble Valley Borough Council  
 Rotherham Metropolitan Borough Council  
 Royal Borough of Kensington and Chelsea  
 Royal Borough of Windsor and Maidenhead  
 Rushcliffe Borough Council  
 Rushmoor Borough Council  
 Salford City Council  
 Sefton Council  
 Selby District Council  
 Sevenoaks District Council  
 Shropshire Council  
 South Hams District Council  
 South Somerset District Council  
 South Tyneside Council  
 St Albans City and District Council  
 Liverpool City Council  
 Staffordshire County Council  
 Stockton-on-Tees Borough Council  
 Suffolk County Council  
 Sunderland City Council  
 Surrey County Council  
 Swansea Council  
 Teignbridge District Council  
 Thanet District Council  
 West Devon Borough Council  
 West Oxfordshire District Council  
 West Suffolk Council  
 West Sussex County Council  
 Westminster City Council  
 Worcester City Council  
 Worcestershire County Council  
 Wyre Borough Council  
 Wyre Forest District Council  
  
 Association of Local Authority Chief Executives and Senior Managers  
 Association of School and College Leaders  
 British Dental Association  
 British Medical Association  
 Chartered Society of Physiotherapy  
 FDA  
 Federation of Clinical Scientists

Fire Brigades Union  
 GMB  
 GMB – Dudley branch  
 GMB – Halton branch  
 GMB - Merthyr Tydfil County Borough branch  
 GMB – North West Ambulance branch  
 GMB - Rhondda Cynon Taff branch  
 GMB – Sefton branch  
 GMB – West Yorkshire Police branch  
 GMB – Yorkshire and North Derbyshire branch  
 Managers in Partnership  
 National Association of Head Teachers  
 National Education Union  
 Prospect  
 Prospect – Magnox Ltd branch  
 Public and Commercial Services Union  
 Royal College of Nursing  
 The National Association of Schoolmasters Union of Women Teachers  
 Trades Union Congress  
 Transport Salaried Staffs' Association  
 UNISON  
 UNISON - Cambridge City & South  
 UNISON – Gateshead branch  
 UNISON – Haringey branch  
 UNISON – Harrogate branch  
 UNISON – Knowsley branch  
 UNISON – Solihull branch  
 UNISON – Worcestershire branch  
  
 Chief Police Officers Staff Association  
 Civil Nuclear Constabulary branch of the Police Superintendents Association  
 Gwent Police  
 Hampshire Constabulary  
 Lancashire Constabulary  
 Leicestershire & Northamptonshire Police  
 Metropolitan Police Service  
 National Police Chiefs' Council  
 Nottinghamshire Police & Crime Commissioner  
 Office of the Police and Crime Commissioner for Hampshire  
 Police Advisory Board for England and Wales  
 Police and Crime Commissioner for Dyfed-Powys Dafydd Llywelyn  
 Police and Crime Commissioners  
 Treasurers' Society

Police Federation of England and Wales  
Police Superintendents' Association  
South Wales Police  
West Yorkshire Police

All Wales Workforce and OD Directors  
Peer Group  
NHS Employers  
Nursing and Midwifery Council  
York Teaching Hospital NHS  
Foundation Trust

Anthony Collins Solicitors  
Association of Pension Lawyers  
Barnett Waddingham LLP  
Birmingham Law Society  
Employment Lawyers Association  
Eversheds Sutherland LLP  
Hymans Robertson  
Lawyers in Local Government

Bedfordshire Fire and Rescue Service  
Cambridgeshire Fire and Rescue Service  
East Sussex Fire and Rescue Authority  
Essex Fire and Rescue Service  
Fire Officers Association  
Firefighters (England) Pension Scheme  
Advisory Board  
Hampshire Fire and Rescue Authority  
Hereford & Worcester Fire and Rescue Service  
Kent and Medway Fire and Rescue Authority  
Lancashire Fire & Rescue Service  
London Fire Commissioner  
National Fire Chiefs Council  
North Wales Fire and Rescue Service  
Nottinghamshire Fire and Rescue Service  
Royal Berkshire Fire Authority  
Shropshire Fire and Rescue Service  
Staffordshire Fire and Rescue Service  
Suffolk Fire and Rescue Service  
West Midlands Fire Service

Avon Pension Fund  
Bedfordshire Pension Fund  
Buckinghamshire County Council  
Pension Fund  
Cambridgeshire Pension Fund  
Cheshire Pension Fund  
Clwyd Pension Fund

Cornwall Pension Fund  
Cumbria Local Government Pension  
Scheme Pension Committee  
Dorset County Pension Fund  
Essex Pension Fund  
Greater Manchester Pension Fund  
Gwynedd Pension Fund  
Hampshire Pension Fund  
Lincolnshire Pension Fund  
Local Government Pension Scheme  
Advisory Board  
London Borough of Hackney Pension  
Fund  
Merseyside Pension Fund  
Northamptonshire Pension Fund  
Royal County of Berkshire Pension  
Fund  
Shropshire County Pension Fund  
Suffolk Pension Fund  
The City & County of Swansea Pension  
Fund  
The Pensions Regulator  
Tyne and Wear Pension Fund  
West Midlands Pension Fund  
Wiltshire Pension Fund

Children and Family Court Advisory  
and Support Service  
Civil Nuclear Constabulary  
Department for Work and Pensions  
HM Prison and Probation Service  
National Gallery  
Network Rail Limited  
Post Office Limited  
TaxPayers' Alliance  
Transport for London  
Valuation Tribunal Service

Auditor General for Wales  
Cavendish Learning Trust  
Cornwall College  
District Councils Network  
East of England Local Government  
Association  
Heads of Human Resources Network  
for London Councils  
Local Government Association  
North West Employers  
North West Employers – Greater  
Manchester authorities  
Publica Group Limited  
Society of District Council Treasurers  
Society of London Treasurers  
Solace



Solace Wales  
South East Employers  
South West Councils  
St Leger Homes of Doncaster Ltd  
The Gateshead Housing Company  
Welsh Local Government Association

West Midlands Employers  
Yorkshire & Humber Employers  
Association  
Yorkshire Dales National Park  
Authority





Ministry of Housing,  
Communities &  
Local Government

## Reforming local government exit pay

A consultation on the reform of exit payments in local government



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September 2020

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# 1. Scope of the consultation

A consultation paper issued by the Ministry of Housing, Department for Communities and Local Government, on behalf of the Secretary of State.

<b>Topic of this consultation:</b>	As part of a wider programme of cross-public sector action on exit payment terms, this consultation paper sets out the government's proposals for reforming local government exit payment.
<b>Scope of this consultation:</b>	The Ministry of Housing, Communities and Local Government is consulting on proposals to reform exit payment terms for local government workers, and specifically those who are eligible to be members of the local government pension scheme
<b>Geographical scope:</b>	The reforms would apply to those areas which are the responsibility of the UK government. It would be for the Scottish government, Welsh government and Northern Ireland Executive to determine if and how they wanted to take forward similar arrangements in relation to devolved bodies and workforces.
<b>Impact Assessment:</b>	The government believes, to a large extent, any impact on protected groups as a result of these reforms would simply be a natural consequence of the composition of the local government workforce and does not believe that there would necessarily be disproportionate impacts on particular groups aside from this. However, following this consultation, an impact assessment will be produced to examine whether this is the case; the government will carefully consider its policy in the light of that assessment.

## Basic Information

<b>Topic of this consultation:</b>	This consultation is open to everyone. We particularly seek the views of local government, Trade Unions and other workforce representatives.
<b>Body responsible for consultation:</b>	The Local Government Strategy and Improvement team in the Ministry of Housing, Communities and Local Government is responsible for conducting the consultation.
<b>Duration :</b>	The consultation will last for 9 weeks from 7 September 2020. All responses should be received by no later than 9 November 2020.
<b>Enquiries and responses:</b>	<p>During the consultation, if you have any enquiries, please contact: <a href="mailto:LGExitPay@communities.gov.uk">LGExitPay@communities.gov.uk</a></p> <p><b><u>How to respond</u></b></p> <p>Responses can be submitted online at:</p>

	<p><a href="https://forms.office.com/Pages/ResponsePage.aspx?id=EGg0v32c3kOociSi7zmVqDX2xIA9hPhJv2EHTx_8-ZUQTdZUKlxOFBJTjU2RjFEQzY4WIIHSUoyNy4u">https://forms.office.com/Pages/ResponsePage.aspx?id=EGg0v32c3kOociSi7zmVqDX2xIA9hPhJv2EHTx_8-ZUQTdZUKlxOFBJTjU2RjFEQzY4WIIHSUoyNy4u</a></p> <p>or sent by email to:  <a href="mailto:LGExitPay@communities.gov.uk">LGExitPay@communities.gov.uk</a>  with the subject heading 'Consultation on Exit Payment Cap'.</p> <p>Due to current restrictions on office access, responses sent by post may have a delay in reaching our team.  By post, please address your response to:</p> <p>Exit Pay Consultation  Local Government Workforce and Pay Team,  Ministry for Housing, Communities and Local Government  2nd Floor, Fry Building  2 Marsham Street  London  SW1P 4DF</p> <p>When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.</p>
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## 2. Introduction

2.1 Redundancy provision and exit payments play an important role in enabling employers to reform and reorganise. They support employees during the transition to other employment or retirement following the loss of employment. However public sector arrangements vary significantly, including in the benefits provided for people with similar pay and length of service. Also, such provisions can often be out of line with practice in the wider economy.

2.2 The government announced in the Spending Review and Autumn Statement 2015 that it will continue to modernise the terms and conditions of public sector workers, by taking forward targeted reforms in areas where the public sector has more generous rights than most of the private sector. As part of this, the government committed to consulting on further cross public sector action on exit payment terms, to reduce the costs to the taxpayer of redundancy payments and ensure greater consistency between workforces. The government is therefore consulting on options to make public sector exit compensation terms fairer, more modern and more consistent.

### 2.3 Taking forward exit payment reform proposals

The Spending Review 2015 announced the government's intention to consult on cross-public sector action on exit payment terms, to reduce the costs of redundancy pay-outs and ensure greater consistency between workforces. This consultation, launched in February 2016, set out that the government would consider three key principles to underpin reform: fairness; modernity and flexibility; and greater consistency. It set out a package of proposed maximum levels for the calculation of different elements of exit packages to apply across the public sector, subject to negotiation at workforce level.

2.4 In September 2016, the government published a response to this initial consultation. Around 350 responses were received, from trade unions; public sector employers and employer organisations; and public sector workers and others responding in an individual capacity. The initial consultation document and the government's response can be accessed via this link: [www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments](http://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments)

### 2.5 The current system for local government redundancy compensation payments

Local government lump-sum redundancy arrangements vary considerably between employers. However, they must operate within a framework set by regulations. Those regulations are the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 ("the 2006 Regulations")<sup>1</sup>. These regulations provide that the total maximum lump-sum pay-out is 104 weeks' (24 months') pay, although most local authorities currently provide for less than this.

---

<sup>1</sup> Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 SI/ 2914 <http://www.legislation.gov.uk/ukSI/2006/2914/made>



## 2.6 The current system for local government early access to pensions

Under Regulation 30(7) of the Local Government Pension Scheme Regulations 2013<sup>2</sup> employees aged 55 or more who are members of the Local Government Pension Scheme (LGPS) are currently entitled to immediate access to unreduced pension where:

- The member is dismissed from an employment on redundancy or business efficiency grounds, or
- The employment is terminated by mutual consent on business efficiency grounds.

An employer participating in LGPS which provides early unreduced payment of pension benefits has to make additional payments to the relevant pension fund to make up the resulting shortfall in the pension funding. This is because provision for early exits is not included in their standard employer contributions. This extra payment is also known as the pension strain cost<sup>3</sup>.

## The purpose of this consultation

2.7 This consultation is **not** seeking views or representations on the government's position regarding exit pay reform. The framework for reform has been produced following extensive consultation led by HM Treasury. Instead, this consultation is seeking information on:

- The effect/s that the proposals for reform outlined below will have on the regulations which currently govern exit payments (including both redundancy compensation pay and early access to pensions) in local government.
- The impact that the proposals for reform outlined in paragraph 3.4 will have on the local government workforce. Consultation responses will inform a full impact assessment, including equalities considerations which will be issued alongside the regulations when these are laid before Parliament.

---

<sup>2</sup> The Local Government Pension Scheme Regulations 2013  
<http://www.legislation.gov.uk/ukxi/2013/2356/regulation/30/made>

<sup>3</sup> The precise arrangement by which strain cost is paid varies between funds. Some funds ask for payment on a case by case basis, others may have allowed for a certain number of exits in setting the regular contribution level. In those cases, if experience differs from what is assumed then this is taken into account when that employers contributions are next adjusted.

### 3. Reforms to public sector exit payments

3.1 The government believes that it is an important principle that exit arrangements are determined at workforce level. However, given that exit arrangements in all workforces are ultimately funded by the taxpayer, it is clearly appropriate for the government to ensure that these provide value for money.

3.2 However, the government legislated for a cap of £95,000 for all exit payments in the public sector in the Small Business Enterprise and Employment Act 2015 (later amended by the Enterprise Act 2016). The 2015 Act sets out the duty to implement the cap through secondary legislation and HMT carried out a consultation on a Public Sector Exit Payment Cap in 2019 which proposed introducing a cap of £95,000 on the total value of exit payments across the Public Sector (although with some exceptions under consideration). That consultation was completed and regulations for this were laid on 21 July 2020.

The response to the consultation is available here:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/902087/Public\\_sector\\_exit\\_payments\\_Consultation\\_response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902087/Public_sector_exit_payments_Consultation_response.pdf)

3.3 The government believes that an approach of individual sector workforce negotiations within an overarching framework strikes the right balance in ensuring fairness to the individual and the taxpayer and ensuring that there is greater consistency between schemes while recognising the differences between workforces. This consultation therefore contains proposals to implement the measures specifically for the local government workforce.

3.4 The overarching framework was set out in the Government Response published in February 2016<sup>4</sup>. The key elements can be summarised as:

- A maximum of three weeks' pay per year of service;
- A maximum of 15 months on the amount of a redundancy payment;
- A maximum salary of £80,000 on which an exit payment can be based;
- Limiting publicly funded pension top-ups;
- A £95k cap on the total of all forms of compensation, including redundancy payments, pension top-ups, compromise agreements and special severance payments.

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<sup>4</sup> <https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments>

## 4. Proposals for reforms to exit payments in local government

4.1 The government has asked those government departments responsible for the main public sector workforces to negotiate and agree reforms directly with each sector. MHCLG is therefore leading on local government workforce reform<sup>5</sup>.

4.2 Total exit payments will be capped at £95,000 in line with HMT's proposed reforms.

4.3 Following preliminary discussions with local government sector representatives, MHCLG's proposals to reform redundancy payments in local government are as follows:

- a) A maximum tariff for calculating exit payments of three weeks' pay per year of service. Employers could apply tariff rates below these limits.
- b) A ceiling of 15 months (66 weeks) on the maximum number of months' or weeks salary that can be paid as a redundancy compensation payment. Employers will have discretion to apply lower limits, as they do at present under 2006 Regulations.
- c) A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed on an annual basis using an appropriate mechanism, for example: CPI (Consumer Prices Index).

### Question 1:

Are there any groups of local government employees that would be more adversely affected than others by our proposed action on employer funded early access to pension?

If so, please provide data/evidence to back up your views.

How would you mitigate the impact on these employees?

### Question 2:

What is the most appropriate mechanism or index when considering how the maximum salary might be reviewed on an annual basis?

### Question 3:

Are there any groups of local government employees that would be more adversely affected than others by our proposed ceiling of 15 months or 66 weeks as the maximum number of months' or weeks salary that can be paid as a redundancy payment?

If so, please provide data / evidence to back up your views.

How would you mitigate the impact on these employees?

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<sup>5</sup> These proposals will cover all employers which participate in the LGPS and are named in Schedule x of the draft Exit Payment Regulations, which are due to be made under s153A of the Small Business, Enterprise and Employment Act 2015.

**Question 4:**

Are there any groups of local government employees that would be more adversely affected than others by our proposal to put in place a maximum salary of £80,000 on which an exit payment can be based?

If so, please provide data / evidence to back up your views.

How would you mitigate the impact on these employees?

4.4 Most importantly we wish to introduce an element of choice into the current arrangements. At present, employees may have no option but to take immediate payment of their pension on being made redundant. That means that they cannot accrue further benefits (in that employment) and it sends a signal that their working life is over. In the modern world of work, people have good reasons for wanting to work longer and someone made redundant in their late 50's may still look forward to a satisfying career for many years to come. However, we recognise that for those who have done demanding work throughout their adult lives, they should have the security of a reliable income with a suitable enhancement.

4.5 We therefore propose that for members of the LGPS who are at least 55 years old when made redundant, the benefits and the associated strain cost due from the employer should be limited as follows:

- The strain cost cannot exceed the overall cap contained in the Exit Payment Regulations (£95k)
- Strain cost will be further reduced by the value of any Statutory Redundancy Payment required to be paid (which the employee will still receive as a cash payment)
- A further reduction would be made to reflect any voluntary payments made to cover grant of additional pension under regulation 31 of the LGPS Regulations 2013
- Any reduction in the strain cost due to the above limitations may be made up by the worker from his own resources
- The member will receive an actuarially adjusted pension benefit in line with the revised strain cost under these provisions.

4.6 Where the employer pays any amount of strain cost in respect of an employee's exit, an employer may not grant an employee any discretionary redundancy payment. However, in the rare cases where the discretionary payment would have had a higher value than the strain cost the member will be entitled to take the pension enhancement delivered by the strain cost due under paragraph 4.5 plus a cash payment equal to the difference between the strain cost and discretionary redundancy payment.

4.7 However, the member can choose to forgo the pension enhancement due under paragraph 4.5 and instead receive an actuarially reduced pension (using standard early retirement factors) and take the discretionary redundancy payment to which they would be entitled under their employer's redundancy scheme, subject to it being consistent with the proposals at paragraph 4.3 above.

4.8 We are also proposing to grant employees a further option which would be to defer their pension benefits (as accrued, with no enhancement and not coming into immediate payment) and to receive the discretionary redundancy payment under their

employer's redundancy scheme, subject to it being consistent with the proposals at paragraph 4.3 above.

4.9 As the effect of these provisions and the cap established by the Exit Pay Regulations will be the same for all pension funds in England, we believe that it would be appropriate to have a consistent approach taken to the calculation of strain costs between funds. Hence the Secretary of State has asked the Government Actuary's Department to provide actuarial guidance on this for funds to follow. We will consult on this actuarial guidance in due course.

## Relaxation of the cap

4.10 There will be some circumstances where it is necessary or desirable to relax the overall cap on benefits set out in the Exit Payment Regulations (£95k). Therefore, the regulations allow for discretionary relaxation of the cap in exceptional circumstances, including where imposing the cap would cause genuine hardship.

4.11 The full council of a local authority has a delegated power to relax the cap in relation to local government bodies for which it has responsibility. The London Assembly has the power to relax in respect of exit payments made by the Greater London Authority.

4.12 The power to relax must be exercised in accordance with the mandatory directions in section 5 of the HMT statutory guidance to the Exit Payment Regulations. In line with that guidance, all requests by LGPS scheme employers to relax the cap must be approved by the appropriate Minister of the sponsoring department. For local councils that will the Secretary of State for Housing, Communities and Local Government.

4.13 There may be circumstances in which our Minister cannot approve a business case for relaxation in accordance with the mandatory directions but believes the cap should be relaxed on a discretionary basis. In these circumstances, MHCLG Ministers will require agreement from HMT Ministers to approve the relaxation.

**Question 5:**

*Do you agree with these proposals? If not, how else can the Government's policy objectives on exit pay be delivered for local government workers?*

**Question 6:**

*Do you agree that the further option identified at paragraph 4.8 should be offered?*

**Question 7:**

Are there any groups of local government employees that would be more adversely affected than others by our proposals?

If so, please provide data/ evidence to back up your views.

How would you mitigate the impact on these employees?

## 5. Impact analysis

### 5.1 Economic and fiscal impacts

Analysis of economic impact is being carried out for MHCLG by the Government Actuary Department. We will consult on this separately in due course.

### 5.2 Social impacts – including distributional and equalities

The Office for National Statistics (ONS) Labour Force Survey evidence suggests that the public sector has a significantly greater proportion of women and older workers than the workforce population as a whole, as well as slightly greater proportions of those with other protected characteristics, including disability. However, within this there are significant variations between different workforces.

5.3 MHCLG will produce a full impact assessment, including equalities considerations, and the government will carefully consider these impacts in making decisions on the appropriateness or otherwise of proposed reforms in each workforce. We are seeking more information to feed into the equalities assessment via this consultation document.

5.4 The government believes, to a large extent, that any impact on protected groups as a result of these reforms would simply be a natural consequence of the composition of these workforces and does not believe that there would necessarily be disproportionate impacts on particular groups aside from this.

### 5.5 Environmental impacts

This policy is assumed to have no tangible environmental impacts.

### 5.6 Costs and benefits – direct and indirect

The policy would produce a benefit to employers in terms of reductions in redundancy compensation payments which would contribute more widely to the public finances. The potential effects include: the reduction in redundancy compensation to affected employees (which the government believes is justified on grounds of fairness and affordability), and administrative costs to employers of implementing the necessary changes to their redundancy compensation arrangements.

### 5.7 Regulatory impact

This policy primarily affects the public sector and so is not expected to increase regulation on private business in the wider economy. Depending on final decisions on the scope of the Exit Payment Regulations, the policy may also have an impact on bodies employing staff previously from the public sector who are subject to Transfer of Undertakings (Protection of Employment) (TUPE) rules. These impacts cannot be quantified at this stage.

#### *Question 8:*

*From a local government perspective, are there any impacts not covered at Section 5 (Impact Analysis) which you would highlight in relation to the proposals and/or process above?*

### 5.8 Employees receiving pay and pension concurrently

To provide greater transparency in local authorities and give local taxpayers the information they need to hold authorities to account about how they spend their money, each local authority is required to have its own policy on the abatement of pension benefits when people in receipt of a local government pension are re-employed in local government.

5.9 Clearly, the purpose of a pension is to provide an income in retirement. Therefore, local authorities should use their pay policy statements, which they are required by the Localism Act 2011 to prepare and publish annually, to explain their policies toward the reward of chief officers who were previously employed by the authority and who, on ceasing to be employed, were in receipt of a severance payment from that authority. Public bodies should seek to:

- Safeguard public expenditure, by restricting the total remuneration made from public funds for those who have not genuinely retired from a public service career;
- Avoid accusations of favouritism or even corruption if public servants, senior managers and Board Members were allowed to receive both pay and pension from public funds whilst remaining in public service, particularly if they remain in the same job, and;
- Ensure value for money is achieved and that public funding targeted through expenditure and tax relief at long-term retirement provision is focussed on retirement or preparation for retirement, rather than being used during part of an employee's working life.

#### *Question 9:*

*Are these transparency arrangements suitably robust? If not, how could the current arrangements be improved?*

5.10 This should include any local policy towards ex-employees later engaged as chief officers under a contract for services. Public authorities - which include local authorities - will be aware of their obligations, namely that if they plan to offer a temporary job to someone who works through their own intermediary (this is often their own company) they will need to decide whether the off-payroll working rules (known as IR35) apply. These off-payroll working rules are in place to make sure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and National Insurance contributions (NICs) as an employee.

5.11 Similarly, authorities should include their policies toward the reward of chief officers who are also in receipt of a pension under the Local Government Pension Scheme. These policies should take account of their agreed approach on abatement of pensions.

#### *Question 10*

*Would any transitional arrangements be useful in helping to smooth the introduction of these arrangements?*

**Question 11**

*Is there any other information specific to the proposals set out in this consultation which is not covered above which may be relevant to these reforms?*



## 6. Next Steps

6.1 Individual government departments are now working to negotiate, agree reforms and then implement them with specific public sector workforces. For reference, HMT's consultation on reforming exit payments in the public sector as a whole can be found at: <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>. MHCLG is therefore leading on local government exit pay reform.

6.2 Where applicable, implementation will be through changes to secondary regulations. The government will reserve the ability to set a reform framework in future primary legislation depending on progress in implementing the reforms.

6.3 The government would ensure any reforms do not breach the provisions of the Public Service Pensions Act 2013. Employees would remain entitled to pensions they have accrued during their employment and there would be no change to the age at which 'normal' retirement is available under existing scheme terms.

6.4 The government will carefully consider impacts around equalities and the economic and fiscal landscape as well as the practical implications of implementing any reforms.

In undertaking this consultation, we ask for general information and views on these proposed reforms and the draft regulations.

### *Question 12*

*Would you recommend anything else to be addressed as part of this consultation?*

## 7. Consultation Questions

1. Are there any groups of local government employees that would be more adversely affected than others by our proposed action on employer funded early access to pension?
  - If so, please provide data/evidence to back up your views?
  - How would you mitigate the impact on these employees?
2. What is the most appropriate mechanism or index when considering how the maximum salary might be reviewed on an annual basis?
3. Are there any groups of local government employees that would be more adversely affected than others by our proposed ceiling of 15 months or 66 weeks as the maximum number of months' or weeks salary that can be paid as a redundancy payment?
  - If so, please provide data/evidence to back up your views?
  - How would you mitigate the impact on these employees?
4. Are there any groups of local government employees that would be more adversely affected than others by our proposal to put in place a maximum salary of £80,000 on which an exit payment can be based?
  - If so, please provide data/evidence to back up your views?
  - How would you mitigate the impact on these employees?
5. Do you agree with these proposals? If not, how else can the Government's policy objectives on exit pay be delivered for local government workers?
6. Do you agree that the further option identified at paragraph 4.8 should be offered?
7. Are there any groups of local government employees that would be more adversely affected than others by our proposals?
8. From a local government perspective, are there any impacts not covered at Section 5 (Impact Analysis), which you would highlight in relation to the proposals and/or process above?
9. Are these transparency arrangements suitably robust? If not, how could the current arrangements be improved?
10. Would any transitional arrangements be useful in helping to smooth the introduction of these arrangements?
11. Is there any other information specific to the proposals set out in this consultation, which is not covered above which may be relevant to these reforms?
12. Would you recommend anything else to be addressed as part of this consultation?

# Annex A - Personal data

The data protection legislation is changing and a new Data Protection Act will be published in May 2018. It will give you greater powers to protect your own privacy, and place greater responsibility on those processing your data for any purpose. The following is to explain your rights and give you the information you will be entitled to under the new Act. Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

## **The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gsi.gov.uk](mailto:dataprotection@communities.gsi.gov.uk)

## **Why we are collecting the data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

## **Legal basis for processing the data**

Part 2 of the draft Data Protection Bill (subject to change before it becomes an Act) states that as a government department, MHCLG may process personal data is necessary for the effective performance of a task carried out in the public interest i.e. a consultation.

## **With whom we will be sharing the data**

We will not be sharing personal data outside of the MHCLG.

For how long we will keep the personal data, or criteria used to determine the retention period.

Your personal data will be deleted in accordance with our records retention and deletion policy which can be found on our website.

<https://www.gov.uk/government/publications/departmental-records-retention-and-disposals-policy>

## **Your rights, e.g. access, rectification, erasure**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record

- c. to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

MHCLG will not send your personal data overseas.

However, you may wish to be aware that Survey Monkey stores all data on its servers in the USA. Survey Monkey are certified under the EU-US Privacy Shield Programme which we consider to be adequate to protect the type of personal data we need from you to respond to this consultation. More information can be found on their website at [https://help.surveymonkey.com/articles/en\\_US/kb/I-am-in-Europe-How-do-SurveyMonkey-s-privacy-practices-comply-with-laws-in-the-EU](https://help.surveymonkey.com/articles/en_US/kb/I-am-in-Europe-How-do-SurveyMonkey-s-privacy-practices-comply-with-laws-in-the-EU)

This data will not be used for any automated decision making.

# Annex B - About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Ministry.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).



## Cambridgeshire Pension Fund - Online and virtual training events

Date	Event Description	Audience	Knowledge Credits
28 September – 1 October 2020	Virtual - LGPS Local Pension Board Autumn Seminar (CIPFA and Barnett Waddingham LLP) The latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking.	Local Pension Board Members	1
2 October 2020	Virtual - LGPS Local Pension Board Autumn Seminar (CIPFA and Barnett Waddingham LLP) The latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking.	Officers	1
12 – 16 October 2020	Virtual - Pensions and Lifetime Saving Association (PLSA) Annual Conference Multiple sessions covering all aspects of pensions administration, governance and investment across all types of UK pension schemes. Further information can be found here: <a href="https://portal.plsahosting.org.uk/Annual-conference">https://portal.plsahosting.org.uk/Annual-conference</a>	Pension Fund Committee and Local Pension Board Members Officers	0.5 credits per session up to a maximum of 4
10 February 2021	LGSS Pensions Information Day Method of delivery to be confirmed. Agenda to be confirmed.	Pension Fund Committee and Local Pension Board Members Officers	To be confirmed
17 – 21 May 2021	Virtual – Pensions and Lifetime Savings Association (PLSA) Local Authority Conference Dedicated to the LGPS. Key note speakers, specialist sessions and online exhibition. Further information will be updated at the following link: <a href="https://portal.plsahosting.org.uk/Events-Local-Authority-Conference">https://portal.plsahosting.org.uk/Events-Local-Authority-Conference</a> Bookings open from December 2020	Pension Fund Committee and Local Pension Board Members Officers	0.5 credits per session up to a maximum of 4





# Cambridgeshire Pension Fund

Agenda Item: 13

Pension Fund Board

Date: 6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Risk Monitoring
Purpose of the Report	To present the Cambridgeshire Pension Fund Risk Monitoring Report
Recommendations	The Board is asked to review the current risks facing the Fund
Enquiries to:	Michelle Oakensen, Governance Officer, <a href="mailto:moakensen@northamptonshire.gov.uk">moakensen@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28<sup>th</sup> March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.
- 1.2 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link:  
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

## 2. Review of the Cambridgeshire Pension Fund Risk Register

- 2.1 Officers of the Fund have reviewed the risk register and have identified the following additions for clarity on the register –
  - Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk (risk 13) the word “annual” has been inserted into the cyber training mitigation to demonstrate continual updated knowledge in this area.
  - Actual experience materially differs from actuarial assumptions used at each valuation (risk 13) an additional control has been added “Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions”.
  - Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors (risk 21) – has had the risk descriptor updated to demonstrate informed decisions “in conjunction with Fund Actuary/specialist advisor”

- 2.2 Board members are asked to review the full risk register located in appendix 1 of this report and advise if the above officer conclusions as above are agreed.
- 3. Short to Medium term risks
  - 3.1 The impact of the pandemic
    - 3.1.1 The service has had to alter the ways in which documents are produced and communicate calculations to members through using electronic communication. The documents are now issued in the first instance via secure email or Member Self Service to members upon completion. This also extends to how documents are received from members and forms from other funds, allowing for electronic copies of documents from verified email addresses. If electronic communication is not acceptable to members or other organisations, there is a member of staff within the office who will print and post documents when required.
    - 3.1.2 Although electronic communication is the desired method of communication, there is now the use of a voicemail facility on the general pensions telephone number for members to contact the service by phone for urgent cases. A member of staff listens to the messages each morning and distributes the urgent call backs to relevant members of the team. This is a way to assist with members who wish to speak to a member of staff, and do not possess the technology to use electronic communication, whilst the main telephony system is not functional.
  - 3.2 Administrative pressures facing the Fund
    - 3.2.1 Upcoming changes to legislation on the capping and reforming of Local Government exit payments in the Public Sector will see the Fund faced with significant administration adjustments and associated communications with members.
    - 3.2.2 Options available to members need to be communicated and systems updated to reflect the changes with relevant training being delivered to Officers. The LGPS Scheme Advisory Board is currently in consultation with the Ministry of Housing, Communities and Local Government on the required clarity surrounding the proposed changes. Once the changes come into force the Fund will need to react to ensure the legislation is adhered to.
    - 3.2.3 In addition, the age discrimination remedy which will see an underpin applied to members who are affected by the McCloud judgement will also need to be implemented and communicated to members.
    - 3.2.4 Both these pressures will add a short term administration risks for the process of benefits and other service activities.
- 4. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Continually monitor and measure clearly articulated objectives through business planning.
Deliver consistent plain English communications to stakeholders.
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.

## 5. Risk Management

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

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

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

## 6. Finance & Resources Implications

- 6.1 None.

## 7. Communication Implications

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

- 8.1 Not applicable.

## 9. Consultation with Key Advisers

- 9.1 None

## 10. Alternative Options Considered

- 10.1 There are no alternative options to be considered

**11. Background Papers**

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

**12. Appendices**

- 12.1 Appendix 1 - The Cambridgeshire Pension Fund Risk Register

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 21 <sup>st</sup> October 2020

## Appendix 1 – Cambridgeshire Pension Fund Risk Register

Risk	Risk	Relevant objectives	Responsible Lead(s)*	Risk Rating
1	Employers unable to pay increased contribution rates.	9	E	12
2	Failure to respond to changes in economic conditions.	15,16	A	12
3	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	18, 19	A	9
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	1,8,9,16	A	8
5	Fund assets are not sufficient to meet obligations and liabilities.	2,16,17,19	A	8
6	Information may not be provided to stakeholders as required.	14	ALL	6
7	The Investment Strategy's Risk Reward profile does not match the requirements of the Fund.	16, 17,18	A	6
8	Those charged with governance are unable to fulfil their responsibilities effectively.	2,3	G	6
9	Risk of fraud and error.	2,10	ALL	6
10	Failure to understand and monitor risk compliance.	5	G	6
11	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	8	E	6
12	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	1,2,3	A	4
13	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	10,11	E	4
14	Failure to administer the scheme in line with regulations and guidance.	1,2,3,16	ALL	4
15	Failure to recognise and manage conflicts of interest.	2,10	G	4
16	Pension Fund objectives are not defined and agreed.	4	G	4
17	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	15	G	4
18	Pension Fund investments may not be accurately valued.	2,10,17,18	A	4
19	Actual experience materially differs from actuarial assumptions used at each valuation	9, 17,18	E	4
20	Failure to act appropriately upon expert advice and/or risk of poor advice.	17,18,19,20	ALL	4
21	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	9,17,18	E	4
22	Unable to deliver pension services due to an inadequate business continuity plan.	8	ALL	4
23	Unable to deliver pension services due to inadequate recruitment and retention processes.	8	ALL	4
24	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	1,2,3,19	A	3
25	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	1,2,10	ALL	3

26	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	2,8,10,11	<b>G</b>	3
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Key

<b>E</b>	Employer Services and Systems Manager
<b>A</b>	Accounting and Investments Manager
<b>G</b>	Governance and Regulations Manager
<b>O</b>	Operations Manager
<b>ALL</b>	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

Potential impact if risk occurred	5 Catastrophic	5	10	15	20
	4 Major	4	8	12	16
	3 Moderate	3	6	9	12
	2 Minor	2	4	6	8
	1 Insignificant	1	2	3	4
		1 Rare (5%)	2 Unlikely (15%)	3 Possible (40%)	4 Likely (65%)

Likelihood of risk occurring

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
1.	Employers unable to pay increased contribution rates.	4	4	16	R	<ul style="list-style-type: none"> <li>Provisional contribution rates are consulted on with each scheme employer as part of the valuation process</li> <li>Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements.</li> <li>Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible.</li> </ul>	4	3	12	A
2.	Failure to respond to changes in economic conditions.	4	4	16	R	<ul style="list-style-type: none"> <li>The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters.</li> <li>The Fund receives quarterly performance reports which consider operational and strategic investment issues.</li> <li>A formal review of the strategic asset allocation is undertaken on a triennial basis.</li> <li>The Fund publishes an Investment Strategy Statement which is regularly reviewed.</li> <li>The Fund has currency hedging and equity protection arrangements in place.</li> <li>Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements.</li> </ul>	4	3	12	A
3.	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	4	4	16	R	<ul style="list-style-type: none"> <li>Investment managers are required to take account of both financial and non-financial factors in their investment decisions</li> <li>Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk</li> <li>Managers are required to report regularly on their compliance with our ESG policy</li> <li>It is ensured that the ACCESS asset pool meets the Fund's ESG requirements.</li> </ul>	3	3	9	A

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
4.	Contributions to the Fund are not received on the correct date and/or for the correct amount.	4	3	12	A	<ul style="list-style-type: none"> <li>Employer contributions are set as stable as possible and the Fund works with employers closely to ensure pragmatic solutions if an employer is unable to meet monthly contributions.</li> <li>A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy.</li> <li>The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator.</li> <li>Internal Audit reviews take place on an annual basis and external audit review the accounts annually.</li> </ul>	4	2	8	A
5.	Fund assets are not sufficient to meet obligations and liabilities.	4	3	12	A	<ul style="list-style-type: none"> <li>The Funding Strategy Statement is reviewed every 3 years.</li> <li>The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates.</li> <li>The year-end financial statements record the Funds asset position and is subject to robustly reviewed by external audit, which supports the Funds asset valuation applied to assess fund adequacy.</li> <li>The Fund has currency hedging and equity protection arrangements in place.</li> </ul>	4	2	8	A
6.	Information may not be provided to stakeholders as required.	3	3	9	A	<ul style="list-style-type: none"> <li>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly using resources such as relevant websites, seminars, professional bodies and working groups.</li> <li>Letters are generated through task management for consistency and are checked before being sent out.</li> <li>Communications Officer now in place.</li> <li>Membership of the LGA Communications Working Group.</li> <li>Membership of the Regional Joint Communications Group.</li> <li>Communication and Digital Communication Strategy in place.</li> </ul>	3	2	6	G



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
7.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	3	3	9	A	<ul style="list-style-type: none"> <li>Controls</li> </ul>	3	2	6	G
8.	Those charged with governance are unable to fulfil their responsibilities effectively.	3	3	9	A	<ul style="list-style-type: none"> <li>Investment Strategy in place which is in accordance with LGPS investment regulations.</li> <li>A formal review of the strategic asset allocation is undertaken on a triennial basis.</li> <li>The Fund appoints professional investment advisers to support the Pension Committees investment decisions</li> <li>At each triennial actuarial valuation the Funding Strategy Statement considers alignment of the investment strategy to employer covenant and affordability.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	3	2	6	G
9.	Risk of fraud and error.	3	3	12	A	<ul style="list-style-type: none"> <li>Training Strategy in place to facilitate the continual development of both Committee and Board members.</li> <li>New members are provided with relevant documentation to assist them in their roles.</li> <li>The Fund subscribes to relevant professional bodies such as LAPFF and PLSA.</li> </ul>	3	2	6	G
10.	Failure to understand and monitor risk compliance.	3	2	6	G	<ul style="list-style-type: none"> <li>Anti- Fraud and Corruption policy in place.</li> <li>Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks.</li> <li>Robust processes in place including segregation of duties and authorisation protocols.</li> </ul>	3	2	6	G
						<ul style="list-style-type: none"> <li>Business Continuity plan in place and is updated at least annually.</li> <li>Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.</li> <li>The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making.</li> </ul>				

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
11.	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	<ul style="list-style-type: none"> <li>Employers are made aware of their responsibilities upon admission via the LGSS website and direct employer communication.</li> <li>Training is provided to employers on a minimum quarterly basis and more often, if required.</li> <li>The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums.</li> <li>Support is also available through the website, dedicated employers help line and templates issued where applicable.</li> </ul>	2	3	6	G
12.	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	4	2	8	A	<ul style="list-style-type: none"> <li>The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework.</li> <li>Complete and authorised agreements are in place with external custodian.</li> <li>External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation.</li> <li>Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee.</li> </ul>	4	1	4	G
13.	Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk.	4	2	8	A	<ul style="list-style-type: none"> <li>System user controls are in place including regular password changes.</li> <li>Access rights are controlled and data is backed up.</li> <li>Audit trails are in place.</li> <li>Pension system is protected against viruses and other system threats.</li> <li>The pensions administration system is updated to ensure LGPS requirements are met.</li> <li>Hosted pensions server and backup server are at separate Bedfordshire sites.</li> <li>Disaster recovery plans are in place for both Heywood and LGSS.</li> <li>Compulsory annual online training for LGSS Officers on Cyber resilience and Data Protection.</li> </ul>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
14.	Failure to administer the scheme in line with regulations and guidance.	5	2	10	A	<ul style="list-style-type: none"> <li>• Policies and strategies are in place and are accessible on the Fund website.</li> <li>• Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary.</li> <li>• A Training Strategy is in place for those charged with governance.</li> <li>• Officers attend working groups (such as EMPOG/SECSOG) and consult with professional advisors where appropriate.</li> <li>• Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when.</li> <li>• The Fund subscribes to relevant professional bodies such as LAPFF and PLSA.</li> </ul>	4	1	4	G
15.	Failure to recognise and manage conflicts of interest.	4	2	8	A	<ul style="list-style-type: none"> <li>• Declaration of interests are made at the beginning of all statutory meetings where not held on the County Councillor declaration register.</li> <li>• Conflicts of Interest Policy in place for the Local Pension Board.</li> <li>• Committee and Board members are encouraged to undertake the Pension Regulators Toolkit which includes a conflicts of interest module.</li> </ul>	2	2	4	G
16.	Pension Fund objectives are not defined and agreed.	4	2	8	A	<ul style="list-style-type: none"> <li>• Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee.</li> <li>• Relevant objectives are referenced on every committee report.</li> <li>• Objectives are referenced in all policy documents and the risk register to ensure appropriate focus.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
17.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> <li>Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making.</li> <li>Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer.</li> <li>Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.</li> </ul>	2	2	4	G
18.	Pension Fund Investments may not be accurately valued	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements.</li> <li>The year-end financial statements record the Funds asset position and is subject to robust review by external audit.</li> <li>Officers work closely with the Funds Custodian to ensure accuracy of asset valuations.</li> </ul>	2	2	4	G
19.	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> <li>Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate.</li> <li>Early engagement with employers.</li> <li>The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment.</li> <li>Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee.</li> <li>Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
20.	Failure to act appropriately upon expert advice and/or risk of poor advice.	4	2	8	A	<ul style="list-style-type: none"> <li>Pension Committee decisions and oversight by the Local Pension Board.</li> <li>Investment consultants and independent advisors appointed via a robust appointment process.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	2	2	4	G
21.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	3	3	9	A	<ul style="list-style-type: none"> <li>Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place.</li> <li>Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy.</li> <li>Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis.</li> </ul>	2	2	4	G
22.	Unable to deliver pension services due to an inadequate business continuity plan.	3	2	6	G	<ul style="list-style-type: none"> <li>Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service.</li> <li>Multi skilling across the service for flexibility.</li> <li>Updated at least annually to ensure remains relevant and up to date.</li> <li>Part of the LGSS business continuity plan.</li> </ul>	2	2	4	G
23.	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	2	6	G	<ul style="list-style-type: none"> <li>Establishment reporting undertaken monthly to identify any recruitment/retention issues.</li> <li>Recruitment undertaken utilising all available avenues including agency staff.</li> <li>Staff leaving interviewed to understand reason for cessation.</li> <li>Regular performance reporting across all business processes serves as early warning system</li> <li>Consultancy contracts in place as a backstop</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
24.	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund is compliant with Investment regulations and best practice guidance.</li> <li>The Fund appoints professional investment advisers to support the Pension Committees investment decisions.</li> <li>The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation.</li> <li>Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues.</li> <li>The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues.</li> </ul>	3	1	3	G
25.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	3	2	6	G	<ul style="list-style-type: none"> <li>Automated extraction of data where viable and agreed procedures for reporting.</li> <li>Robust authorisation protocols in place.</li> <li>Internal and External audit reviews.</li> <li>Contributions are reconciled against employer monthly reports and the bank account, which is subject to both internal and external audit review as part of the year end process.</li> <li>Membership year end reconciliation and investigate variations from the accounting valuations.</li> <li>Management and administration are maintained in accordance with the SORP and the Financial Regulations.</li> <li>Data Improvement Policy and Plan are in place.</li> <li>Anti-Fraud and Corruption Policy in place.</li> </ul>	3	1	3	G
26.	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	3	3	9	A	<ul style="list-style-type: none"> <li>The Data Improvement Policy and Plan are in place.</li> <li>The Data Improvement Policy and Plan are reviewed at least annually and material amendments approved by the Pensions Committee. The Local Pension Board have oversight of policy reviews.</li> <li>The Pension Committee and Local Pension Board receive updates against the plan quarterly.</li> </ul>	3	1	3	G

## Criteria for assessing impact and likelihood

### Impact

Description	Risk Appetite
Catastrophic (5)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires immediate action to be taken.</li> <li>• &gt;£10m.</li> <li>• Section 151 or government intervention or criminal charges.</li> <li>• Critical long term disruption to service delivery.</li> <li>• Significant and sustained local opposition to policies and/or sustained negative media reporting in national media.</li> </ul>
Major (4)	<ul style="list-style-type: none"> <li>• Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures put in place to reduce exposure.</li> <li>• &lt;£10m.</li> <li>• Major civil litigation setting precedent and/or national public enquiry.</li> <li>• Major disruption to service delivery.</li> <li>• Sustained negative coverage in local media or negative reporting in the national media.</li> </ul>
Moderate (3)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.</li> <li>• &gt;£5m.</li> <li>• Major civil litigation and/or public enquiry.</li> <li>• Moderate direct effect on service delivery.</li> <li>• Significant negative front page reports/editorial comment in the local media.</li> </ul>
Minor (2)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to regular passive monitoring measures, at least half yearly.</li> <li>• &gt;£1m.</li> <li>• Minor regulatory enforcement.</li> <li>• Minor disruption to service delivery.</li> <li>• Minimal negative local media reporting.</li> </ul>
Insignificant (1)	<ul style="list-style-type: none"> <li>• Acceptable level of risk exposure subject to periodic passive monitoring measures, at least annually.</li> <li>• &gt;£0.5m.</li> <li>• Minor civil litigation or regulatory criticism.</li> <li>• Insignificant disruption to service delivery.</li> <li>• No reputational impact.</li> </ul>

## Likelihood

Description	% risk of happening	Or	Potential timescale
Rare (1)	5		Once in 20 or more years
Unlikely (2)	15		Once in 10 to less than 20 years
Possible (3)	40		Once in 3 to less than 10 years
Likely (4)	65		Once in 1 to less than 3 years
Almost certain (5)	80		At least once in a year



Pension Fund Board

6<sup>th</sup> November 2020

Report by: Head of Pensions

Subject:	Age Discrimination Remedy in the LGPS (McCloud) and Cost Cap Mechanism (update)
Purpose of the Report	To provide the Pension Fund Board 1) the background to and an update on the age discrimination remedy in the LGPS as a result of the legal case brought by McCloud; and 2) an update on the paused cost control mechanism
Recommendations	That the Pension Fund Board notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

1. Background

- 1.1 The McCloud case concerns the transitional protections given to scheme members of the Judges and Firefighters' Pension Scheme, who in 2012 were within 10 years of their normal retirement age. The protections were introduced as part of the public service pension schemes reform.
- 1.2 On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and couldn't be justified. The Supreme Court denied the government permission to appeal on 27th June 2019.
- 1.3 On 15th July 2019 a statement from the Chief Secretary to the Treasury confirmed that as protections were applied to all members within 10 years of retirement in all other public service pension schemes (such as the LGPS) that the principals of the outcome would apply to all public service pension schemes.
- 1.4 In the LGPS the protection compares the benefits payable under current rules with benefits that would have been paid if the scheme had not changed in 2014 and pays the higher.
- 1.5 Members who have been discriminated against would need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies would need to ensure that the benefits of unprotected members would need to be raised rather than the benefits of protected members being reduced.

## 2. McCloud remedy – MHCLG consultation

- 2.1 On 16 July 2020 MHCLG published a consultation on the proposed remedies for the LGPS to remove age discrimination.
- 2.2 The consultation proposes that:
  - 2.2.1 Qualifying members would be protected by the application of a revised underpin.
  - 2.2.2 Qualifying members are those that were active in the 2008 scheme on 31 March 2012 and accrued benefits in the 2014 scheme without a disqualifying break of more than 5 years.
  - 2.2.3 Qualifying members who have already left the scheme will have the revised underpin applied retrospectively.
  - 2.2.4 Unlike the current underpin qualifying members do not have to have an entitlement to an immediate benefit when they leave the scheme.
  - 2.2.5 Members must meet the qualifying criteria in a single membership for underpin protection to apply (where a member has had a break in service or a period of concurrent employment, they must aggregate their benefits for the underpin to apply).
  - 2.2.6 Members who have previously chosen not to aggregate scheme employments will be given a further 12 months to reverse that decision.
  - 2.2.7 The revised underpin will take into account early/late retirement adjustments and apply to death in service and survivor benefits.
  - 2.2.8 The revised underpin will be a two-stage process with an initial check done at the 'underpin date' (the earlier of leaving the scheme, reaching normal pension age or death). The second check will be applied at the 'underpin crystallisation date' (when the member takes their benefits). At this point the revised underpin will, should it apply, increase the benefits payable to the member.
  - 2.2.9 Revised underpin protection will cease in respect of membership after 31 March 2022, however final salary protection will continue after that date in respect of membership before that date.
  - 2.2.10 Annual Benefit Statements should contain information on the potential impact of the revised underpin but only in respect of membership or benefits accrued to the earliest of date of leaving, the end of the scheme year or 2008 normal pension age.
  - 2.2.11 Officers have submitted a response to this consultation as approved by the Chairman and Vice Chairman of the Pension Fund Committee. The response on behalf of the administering authority was circulated to members of the Pension Fund Committee by email shortly before this meeting, alongside the government consultation document.
- 3. Potential impact on Cambridgeshire Pension Fund
  - 3.1 Aon, the Fund's benefits and governance consultant were commissioned to undertake a high level initial analysis of the likely impact on scheme members as a result of the likely remedy (prior to the release of the consultation).

- 3.2 The analysis shows that the following amount of members will be impacted by the remedy in some way:

Type of record	Total in scheme	Total requiring remedy
Active member	27,000	8,000
Deferred member	29,500	4,500
Pensioner member	17,500	2,500
Other types of member (deceased, transferred out)		2,500
Total	74,000	17,500 24% of scheme membership

- 3.3 The following table shows a breakdown of which scheme employer these members belong to:

Scheme Employer	McCloud members (to the nearest 500)
Cambridgeshire County Council	3,000
Peterborough City Council	1,000
Cambridgeshire Chief Constable	1,000
Other employers (of which there are in excess of 250)	12,500
Total	17,500

- 3.4 The administrative impact of applying the remedy to what is expected to be a minimum of 17,500 scheme members in the Cambridgeshire Pension Fund is a concern shared by all administering authorities and recognised by the Scheme Advisory Board.
- 3.5 The first and most pressing concern is to establish whether accurate data is held for scheme members in terms of hours of employment and service breaks in order to accurately calculate the underpins. This information needs to be held correctly for the period 1 April 2014 up to 31 March 2022 for members who were active in the scheme from 31 March 2012.
- 3.6 The Cambridgeshire Pension Fund is in a fortunate position of having not stopped collecting and recording this information when it was not essential to be recorded when the LGPS changed from a final salary to a CARE scheme on 1 April 2014. However, with the reliance on scheme employers to report changes in hours of employment and service breaks it cannot be guaranteed that the data held is completely correct for every member. It is also no longer possible, under a CARE scheme, to be able to judge if a change in hours or a break in service has not been notified.
- 3.7 At the time of writing this report, officers are planning the necessary communications and methods of verifying and where necessary collecting additional data from scheme employers so that the data is in place in good time for when rectification of members benefits is due.

- 3.8 Besides the verification and collection of data, there are many other aspects that need to be considered to undertake this significant exercise. These aspects have been detailed in Appendix 1 and cover governance, member communication and employer engagement, staff training, administration system requirements, ongoing administration and specialist areas.
- 3.9 As detailed in appendix 1 and as per the Business Plan, the Pension Fund Board will continue to be updated as to the progress of these matters.
4. Cost control mechanism
- 4.1 The Independent Public Services Pensions Commission recommended in 2011 that the new public service pension schemes should include an employer cost control mechanism to protect the taxpayer from unforeseen increases in scheme costs. The government accepted this and made provisions for such a mechanism in the Public Service Pension Schemes Act 2013. The final mechanism both protects the taxpayer from increased costs and also maintains the value of pensions to members when costs fall.
- 4.2 Preliminary valuations of new schemes established 'employer cost caps' in each public service scheme expressed as a percentage of pay. The cost of the scheme would then at future valuations be compared to the employer cost cap. This process measures changes in the value of the scheme to members. Only member costs (costs that affect the value of the scheme to members) are therefore taken into account.
- 4.3 Treasury regulations specify that there will be a 2% margin point above ('ceiling') and below ('floor') the employer cost cap. Where the cost of the scheme has gone beyond those margins, pension benefits or member contributions must be adjusted to bring costs back to the target. In the LGPS the cost cap was set at 19.5% of which 13.5% of pay represents the employer cost and 6.5% of pay is the scheme member cost.
- 4.4 The cost of the schemes was expected to be calculated for the first time following the 2016 valuations. In fact, the Scheme Advisory Board who have their own cost cap mechanism for the LGPS (based on different attributes to that of HM Treasury) did calculate that the cost of the scheme had fallen below the 'floor' meaning that the scheme benefits needed to be redesigned to bring the cost back up to 19.5%.
- 4.5 However, following the Court of Appeal's judgement in the McCloud case the government announced a pause to the cost control element of the 2016 valuations in January 2019. The pause was necessary due to the uncertainty around member benefits arising from the court judgements making it impossible to assess the value of the schemes to members with any certainty.
- 4.6 Now that government has been working to address the unlawful discrimination identified by the courts and a remedy has reached consultation stage there is less uncertainty as to the value of the schemes to members so the cost control mechanism pause has been lifted. The government is now preparing to complete the cost control element of the 2016 valuations and HM Treasury plan for the process to be completed next year. Employer contributions will not be changed before the next valuation process in 2022.
- 4.7 As addressing the discrimination identified in the McCloud case involves increasing the value of scheme to members, the costs associated with this therefore fall into the 'member cost' category and so will be included in the cost control element of the valuation process.

- 4.8 The Pension Fund Board will continue to be updated with information on the cost control mechanism through the Governance and Compliance report.

5. Relevant Pension Fund Objectives

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. <i>Objective 1</i>
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

6. Risk Management

- 6.1 The Pension Fund Board are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:

- New or amending legislation affecting the LGPS;
- Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
- Skills and knowledge opportunities.

- 6.2 The risks associated with the Pension Fund Board not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

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

- 6.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

7. Finance & Resources Implications

- 7.1 There are no financial or resource implications connected to the contents of this report is for information only.

8. Communication Implications

Training	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
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9. Legal Implications

9.1 There are no legal implications connected to the contents of this report as this report is for information only.

10. Consultation with Key Advisers

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

11. Alternative Options Considered

11.1 There are no alternative options to be considered.

12. Background Papers

12.1 Not applicable.

13. Appendices

13.1 Appendix 1 - McCloud remedy implementation plan considerations and dependencies

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 21 <sup>st</sup> October 2020

## Appendix 1

### McCloud remedy implementation plan considerations and dependencies

Area	Considerations	Dependent factors
Governance	<ul style="list-style-type: none"> <li>Establish a project group to oversee all aspects of the activity. Will any external project support be required?</li> <li>Ongoing and regular reporting to the Pension Fund Committee and Local Pension Board.</li> </ul>	<ul style="list-style-type: none"> <li>Timing of establishment of project group will depend on how quickly LGPS regulations are amended and associated guidance is received. There will also be inevitable conflicts with other ongoing priorities.</li> </ul>
Data collection	<ul style="list-style-type: none"> <li>Need to identify member records with data not supplied from the scheme employer (such as breaks in service and hour changes). An approach will need to be decided on such as asking scheme employers to provide any missing information against the data already held by the administering authority.</li> <li>Will the administering authority be expected to make decisions on the accuracy of information supplied or not supplied?</li> <li>The Scheme Advisory Board have devised a universal data capture spreadsheet for employers to populate. Will the administering authority accept data in a different format?</li> </ul>	<ul style="list-style-type: none"> <li>Employers will need to provide this information back to 1 April 2014 up to 31 March 2022 for members who were active members of the scheme on 31 March 2012.</li> <li>Some employers may no longer exist.</li> <li>Some employers may have destroyed data in accordance with their data retention policies.</li> <li>Depending on the amount of record amendments required, there may be insufficient capacity to upload the data, particularly if it supplied in different formats and is of poor quality.</li> </ul>
Member communication and employer engagement	<ul style="list-style-type: none"> <li>Scheme employers and scheme members need to be kept suitably engaged and informed of timescales and any actions that they are required to take. A communication plan will be required taking into account statutory disclosure requirements.</li> <li>Communications with scheme members needs to be as clear and as simple as possible to ensure the relevant messages are understood, including the message that scheme members do not need to engage a claims company in order to receive rectification of their benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Requires employers to recognise their responsibilities.</li> <li>Employers will need to be suitably engaged to provide the information required from them. Any data not provided or incorrectly provided will ultimately be at a cost to the scheme employer in potentially overstated liabilities.</li> <li>It is expected that the Local Government Pensions Committee and the Scheme Advisory Board will assist with the design of employer and member regulations. The timing of the issuance of final regulations and guidance will be important in ensuring these communications are sent at the appropriate time.</li> </ul>
Staff training	<ul style="list-style-type: none"> <li>Sufficient time will need to be allocated to training staff, taking time away from existing workloads.</li> </ul>	<ul style="list-style-type: none"> <li>Timing of training will be dependent on the timely issuance of final regulations and any guidance and an understanding of the pensions administration system's capabilities.</li> <li>Ability to recruit suitably skilled additional staff if required. It is likely that skilled and experienced staff will be deployed to McCloud rectification activities and new staff will need to be trained to deliver business as usual activities.</li> </ul>

Area	Considerations	Dependent factors
Administration system requirements	<ul style="list-style-type: none"> <li>• Will the software system be updated in time to be able to identify with certainty the scheme members requiring rectification?</li> <li>• Will the software be able to accurately calculate amendments to individual's entitlement?</li> <li>• Will the software be able to support bulk calculations?</li> <li>• Will there be sufficient time and resources for testing automated calculations?</li> </ul>	<ul style="list-style-type: none"> <li>• It is understood that LGPS software suppliers are currently actively engaging with MHCLG and the Scheme Advisory Board to sufficiently prepare for the system changes that will be required. Should the issuance of the final regulations and guidance be very late this may impact how effectively the necessary software changes can be implanted and how much time there will be for testing.</li> <li>• If automated and bulk calculations are not available, manual or individual automated calculations will be required significantly increasing the length of time to process cases.</li> </ul>
Ongoing administration	<ul style="list-style-type: none"> <li>• What is the priority order for rectification?</li> <li>• Processes and workflow maps will to be designed to deal with the rectification and will be different for each category of membership.</li> </ul>	<ul style="list-style-type: none"> <li>• Guidance from MHCLG or the Scheme Advisory Board will be required to ensure cases are dealt with consistently across all administering authorities.</li> </ul>
Specialist areas	<ul style="list-style-type: none"> <li>• The following areas are likely to require manual intervention to ensure that any rectification is carried out correctly and will need to be undertaken by skilled and experienced staff. <ul style="list-style-type: none"> <li>○ Annual allowance – may need to revisit pension input amounts from April 2014 and the final pay from 2014.</li> <li>○ Lifetime allowance – revisit members who have crystallised benefits since April 2014.</li> <li>○ Pension Sharing on Divorce – may need to revisit cases where the divorce took place and there is service after April 2014.</li> <li>○ Transfers out – may need to be revisited where there is service is after April 2014.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Guidance from MHCLG or the Scheme Advisory Board will be required to ensure cases are dealt with consistently across all administering authorities.</li> </ul>

MHCLG – Ministry of Housing, Local Government and Communities.



Pension Fund Board

6<sup>th</sup> November 2020

Report by: HEAD OF PENSIONS

Subject:	Pension Fund Annual Report and Statement of Accounts 2019-20.
Purpose of the Report	To present the Annual Report and Statement of Accounts of the Pension Fund for the 2019-20 financial year.
Recommendations	That the Board:  Notes the Annual Report and notes the Statement of Accounts of the Pension Fund for the 2019-20 financial year..
Enquiries to:	Ben Barlow, Fund Accounting Manager Tel – 07896 890375 Email: <a href="mailto:BBarlow@northamptonshire.gov.uk">BBarlow@northamptonshire.gov.uk</a>

1. Background

- 1.1. The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts. These are audited by the County Council's external auditor EY. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the Fund within it) for the financial year 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 and that the SOA is free from material mis-statement.
- 1.2. The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian, and assumptions and estimations utilising the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 1.3. The Chartered Institute of Finance and Public Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. There were no changes in the Code that impacted on the Funds SOA. The latest CIPFA template is used each year to ensure that the reporting meets the requirements of the Code and is compliant with International Financial Reporting Standards (IFRS).
- 1.4. The publication of the Accounts is an essential feature of public accountability and stewardship as it provides information on how the Fund has used the members' funds for which it is responsible.

- 1.5. The structure and content of the Annual Report is governed by guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in compliance with Regulation 57 of The Local Government Pension Scheme Regulations 2013 (as amended).
2. Annual Report
  - 2.1. The Annual Report has been compiled in line with CIPFA guidance on Preparing the Annual Report (2019 edition). The guidance aims to promote consistency across all Local Government Pension Funds (LGPS) annual reports, promoting awareness of the scheme and providing members and stakeholders with relevant information in an accessible and consistent manner.
  - 2.2. The guidance assists practitioners to meet the current regulatory framework which additionally supports the LGPS Advisory Board to produce a scheme wide annual report for England and Wales.
  - 2.3. The Annual Report and Statement of Accounts contents has been set out over nine sections:-
    - 2.3.1. Preface
    - 2.3.2. Scheme Administration
    - 2.3.3. Management and Financial Performance
    - 2.3.4. Investment Policy and Performance
    - 2.3.5. Actuarial Information
    - 2.3.6. Audit Opinion
    - 2.3.7. Pension Fund Accounts
    - 2.3.8. Glossary
    - 2.3.9. Appendix A – ACCESS Annual Report
3. Annual Report
  - 3.1. The preface provides an introduction to the Annual Report framing the arrangements for the management of the Fund, a statement of responsibilities and listing key third parties.
  - 3.2. The Scheme Administration section describes the scheme framework, how the Fund is administered, the Administering Authority's role, membership movements and Pension Committee and Local Pension Board membership. In addition it sets out the key policies and strategies of the Fund and key policy changes through the financial year.
  - 3.3. Management and Financial Performance describes the management of the Fund and sets out how decisions are made, the structure of the Pensions Service and sections on risk management and performance of the service. In addition this section lists employer establishments, their contributions and status.

- 3.4. Investment Policy and Performance describes the legislation under which investment of Fund assets is undertaken, the Fund's investment strategy and performance including commentary on asset pooling. In addition it includes savings generated by pooling of investment assets and cost transparency. The Fund's investment consultant reviews the 2019-20 economic market background and the future outlook.
- 3.5. Actuarial Information describes how the Fund has complied with the Local Government Pension Scheme Regulations 2013 and the Fund's key funding principles adopted in the Funding Strategy Statement. This section describes the most recent triennial valuation and the key assumptions applied.
- 3.6. The section referring to Audit Opinion is currently blank pending the conclusion of the annual audit of the Administering Authority's Statement of Accounts.
- 3.7. The final major section of the document is the accounting statements and notes to the accounts and is approved as a section within the Administering Authority's SOA.
4. Highlights
- 4.1. The Fund Account and the Net Asset Statement provide a summary of the financial activity with the notes to the accounts providing further information.
- 4.2. The net decrease for the year was £194.9m, with the Fund's net assets falling to £2,997.7m.
- 4.3. Contribution receipts increased slightly from £124.5m to £126.5m. The increase in contributions payments reflects the growth in the number of active members during the year.
- 4.4. Benefit payments have increased to £107.9m from £106.3m. The increase in pension payments reflects the growth in the number of pensioners during the year.
- 4.5. Administration expenses have increase during the year due to expenditure relating to 2018-19 being paid in 2019-20. Oversight and governance costs have increased due to the Fund compliance with the CIPFA Management Expenses guidance. Classifying all actuary, legal and consultancy costs within Oversight and Governance costs instead of previous classifications across Administrative costs and Investment management expenses.
- 4.6. The one year investment return as at 31<sup>st</sup> March 2020 was a net market loss of £191.1m. The investment return for the Fund over the financial year was -5.7% compared to the Fund's weighted benchmark return of -3.3% reflecting the financial situation brought about by the COVID-19 pandemic and the active investment management decisions made by the Fund.
- 4.7. Investment Income decreased from £45.5m in 2018-19 to £34.4m in 2019-20 mainly due to a large dividend received in 2018-19 from a pooled investment manager. Investment income is largely impacted by market performance and returns during the year.
- 4.8. Investment liabilities have increased following the implementation of the equity protection strategy.
- 4.9. The number of active employers decreased by 57 to 197 at 31<sup>st</sup> March 2020. Multiple academy trusts are counted as a single employer to reflect the contractual relationship between the Fund and the Trust.

5. Findings and Feedback from External Audit Fieldwork.

- 5.1. EY have completed their audit fieldwork of the Pension Fund Statement of Accounts but have not yet fully completed their review work. EY have issued a draft ISA260 report which confirms that no issues were identified during their fieldwork.
- 5.2. The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

6. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Continually monitor and measure clearly articulated objectives through business planning. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
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.

7. Risk Management

- 7.1. The mitigated risk associated with this proposal has been captured in the Fund's risk register as detailed below –

Risk	Risk Mitigated	Residual Risk
3	Contributions to the Fund are not received on the correct date and/or for the correct amount.	Amber
4	Fund assets are not sufficient to meet obligations and liabilities.	Amber
5	Information may not be provided to stakeholders as required.	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively.	Green
11	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
13	Failure to administer the scheme in line with regulations and guidance.	Green
17	Pension Fund investments may not be accurately valued.	Green
23	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

- 7.2. The Fund's full risk register can be found on the Fund's website at the following link:  
<https://pensions.northamptonshire.gov.uk/app/uploads/2020/06/CPFRiskRegisterJune20.pdf>

8. Finance & Resources Implications

- 8.1. There are no additional finance implications as a result of the recommendations set out in this paper.

9. Communication Implications

- 9.1. The Regulations determine that the accounts and other related documents have to be made available for public inspection. The statutory audit deadlines have been extended due to COVID, authorities must commence the public inspection period on or before the first working day of September.
- 9.2. The statutory date for publication of the final set of the County Council's Statement of Accounts is the end of November (original date end of July), and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final certified copy is made available via the Council's website.
- 9.3. The Statutory date for publication of the Pension Funds Annual Report is 1<sup>st</sup> December.

10. Legal Implications

- 10.1. There are no legal implications as a result of the recommendations set out in this paper.

11. Consultation with Key Advisors

- 11.1. The Pension Fund Accounts were produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

12. Alternative Options Considered

- 12.1. The Pension Fund Annual Report and Statement of Accounts is a statutory requirement with a prescribed structure, which has been complied with.

13. Background Papers

- 13.1. The Pension Fund Accounts are supported by a detailed set of working papers that are subject to examination as part of the External Audit review.

14. Appendices

- 14.1. Appendix 1 – Annual Report and Statement of Accounts

- 14.2. Appendix A – ACCESS Annual Report

Checklist of Key Approvals	
<i>Has this report been cleared by the Head of Pensions</i>	Yes Mark Whitby







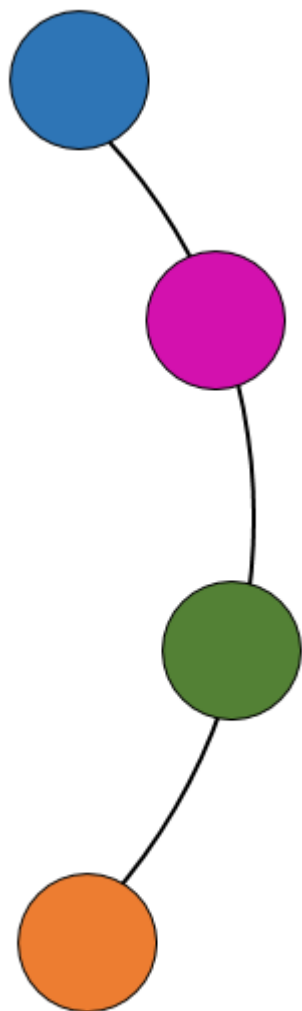
# **Appendix 1**

## **Cambridgeshire County Council Pension Fund**

### **Annual Report and Statement of Accounts**

#### **Year Ended 31 March 2020**

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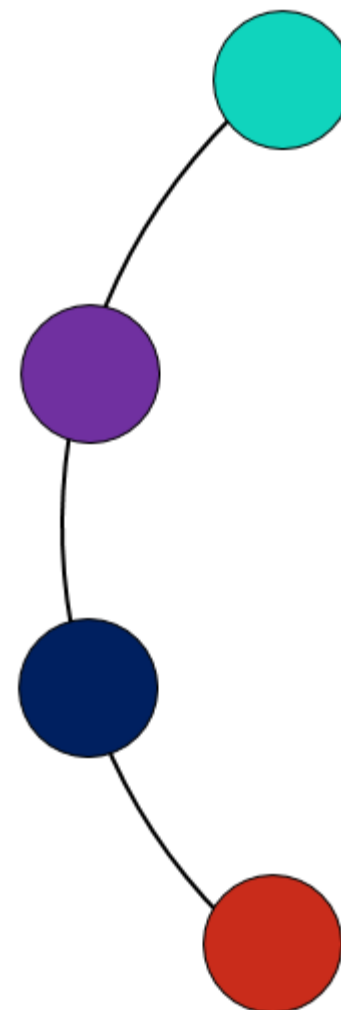
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# Chairman's Foreword

It gives me great pleasure to introduce the Cambridgeshire Pension Fund Annual Report and Statement of Accounts for 2019-20. It has been another busy year for the Fund with many highlights and continual evolution and improvement of service standards.

The key stakeholders are our scheme members; over 85,000 active, pensioner and deferred members of the scheme who rely on us to look after their valuable pension rights. We have taken steps to improve each scheme member's experience by introducing improved communication, performance reporting and data flows from scheme employers. An annual Customer Service Excellence accreditation review enables us to gauge our progress.

The transition to monthly data provision by approximately 200 scheme employers, as opposed to at year-end, has been a key focus for us this year. 94% of employers now provide us with a monthly return which increases data quality and our ability to administer the Fund in an efficient manner.

At 31 March 2020 the Fund was valued at £2.99bn, a decrease of £195m over the March 2019 valuation of £3.19bn. The Fund return of -5.7% for the financial year ending March 2020 was mainly due to the impact of the coronavirus pandemic during the final quarter.

Fund performance was assisted by recent changes to the Fund's strategic asset allocation. The Fund has steadily increased allocations to longer duration investments such as private equity and infrastructure, whilst reducing the dependency on listed equities. This has provided greater diversification across asset classes as well as reducing our exposure to equity risk. A risk management framework, including equity protection and currency hedging, has been put in place in order to protect the Fund against falling equity valuations and reduce the volatility associated with fluctuating currency rates.

Development of the ACCESS asset pool has continued at a steady pace and generated significant value for money benefits for all participants. The Fund has 60.8% of its assets pooled, a figure that will rise considerably over the coming years.

We've also been working hard throughout the year to complete the latest valuation of the Fund and set employer contribution rates. Engagement with employers throughout the process has been excellent and has culminated in the publication of a revised Funding Strategy Statement.

I would like to thank Pension Fund Committee and Local Pension Board Members, the Chief Finance Officer, the Head of Pensions and all staff involved in the administration and management of the Fund for the hard work that they have carried out during the year and especially in these difficulty and troubling circumstances arising from the coronavirus pandemic

Councillor Terry Rogers

Chairman of the Cambridgeshire Pension Fund Committee

Dated xx xxxxxx 2020

# Statement of Responsibilities

## Introduction

This Annual Report and Statement of Accounts sets out the arrangements by which the Local Government Pension Scheme operates, reports changes which have taken place and reviews the investment activity and performance of the Cambridgeshire County Council Pension Fund ("Fund") during the year.

The Statement of Accounts has been prepared in accordance with the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom 2019-20.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after year end. The actuarial position of the Fund which takes into account these obligations is available on the Fund's website,

[Actuarial Valuation Report 2019](#)

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent; and
- Complied with the Code.

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of Accounts

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Pension Fund at 31 March 2020 and of its income and expenditure for the year 2019-20, and authorise the accounts for issue.

## Mr C Malyon

Chief Finance Officer  
(Section 151 Officer)  
Dated: XXXXXXXXXX

# Scheme Management, Advisors and Partners

## Partners



[ACCESS \(Pension Pool\)](#)



[Barclays \(Bank\)](#)



[Ernst & Young \(Auditors\)](#)



[Hymans Robertson \(Actuary\)](#)



[LGSS Law \(Legal Advisors\)](#)



[Mercer \(Investment Consultants\)](#)



[Northern Trust \(Custodian\)](#)



[Squire Patton Boggs \(Legal Advisors\)](#)

## Asset Managers



[Adams Street Partners](#)



[Foresight Group](#)



[Link Fund Solutions \(ACCESS\)](#)



[Allianz Global Investors](#)



[HarbourVest Partners \(UK\)](#)



[Longview Partners](#)



[UBS Asset Management](#)



[AMP Capital](#)



[IFM Investors](#)



[M&G Investments](#)



[Dodge & Cox Funds](#)



[JO Hambro](#)



[Partners Group](#)



[Equitix Ltd](#)



[JP Morgan](#)



[River & Mercantile](#)



[Schroders](#)

## AVC Providers



[Prudential](#)



[Utmost Life & Pensions](#)

# Scheme Management & Key Officers

## The Key Officers of the Fund during the year were:

Mark Whitby – Head of Pensions

Ben Barlow – Fund Accounting Manager

Paul Tysoe – Investment Accounting Manager

Richard Sultana – Operations Manager

Cory Blose – Employer and Systems Team Manager

Joanne Walton – Governance and Regulations Manager

Fiona Coates – Pension Services Financial Manager

Richard Perry – Pension Services Financial Manager

Further information regarding the accounts and investments can be obtained from:

### **Ben Barlow**

Fund Accounting Manager, LGSS

Email: [BBarlow@northamptonshire.gov.uk](mailto:BBarlow@northamptonshire.gov.uk)

Telephone: 07917 197467



Enquiries relating to management and administration should be directed to:

### **Mark Whitby**

Head of Pensions, LGSS

Email: [mwhitby@northamptonshire.gov.uk](mailto:mwhitby@northamptonshire.gov.uk)

Telephone: 07990 556197



**Registered Pension Scheme Number: 10038487**

# Scheme Administration

## Introduction

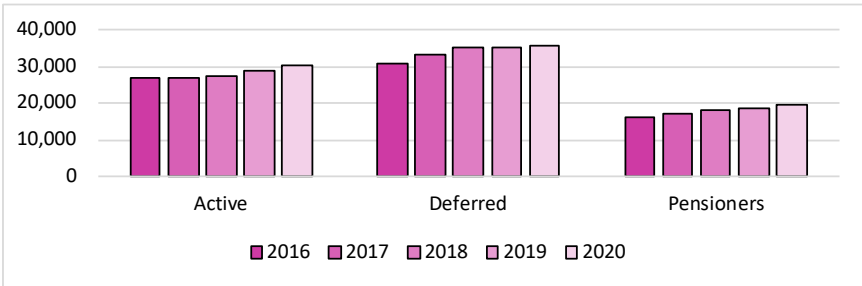
Cambridgeshire County Council is responsible for administering the Cambridgeshire Pension Fund, which is available to employees of the County Council, organisations with a statutory right to be in the scheme (scheduled bodies) and organisations, such as charities, which the County Council has admitted under its discretionary powers (admitted bodies).

The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enrol eligible employees, and every three years re-enrol anyone who opts out of the scheme.

## Membership

Membership of the Fund grew by 3.3% from the previous year.

On 31 March 2020 there were 30,422 active, 35,703 deferred and 19,640 pensioner members in the Fund. The deferred figure is inclusive of 6,244 open cases that may change status (undecided leavers).



## Pension Fund Administration

LGSS, a partnership between Cambridgeshire County Council, Northamptonshire County Council and Milton Keynes Council, provides pension administration services to the Cambridgeshire Pension Fund.

There are 72 staff members (68.89 full time equivalent) within the LGSS Pensions Team, providing all aspects of service to both the Cambridgeshire and Northamptonshire Funds, with an average staff to pension member ratio of 1:2,258.

Internal audit perform risk based audit procedures to assess the effectiveness and efficiency of administration services, and the LGSS Team have been awarded the national standard for excellence in customer service (CSE) since 2016.

The requirements of the General Data Protection Regulations (GDPR) are recognised and feature in the design of the Fund's administration processes. The Fund has in place a GDPR compliant privacy notice, conducts privacy impact assessments for all new activities involving personal data and has in place a Register of Processing Activities and Information Asset Register.

## Scheme Administration Tools

The LGSS Pensions website contains detailed information for all the Fund's stakeholders and has dedicated pages for both members and employers. There is a comprehensive suite of forms and factsheets for members, prospective members and employers.

Support for members and employers can be accessed via the website or by contacting the LGSS Helpline on 01604 366537.

[Member Self Service](#) is an online platform which allows members to securely access their records, amend their personal information, perform benefit projections and view their annual benefits statement.

[Employer Self Service](#) is available to all employers in the scheme and gives access to the pension database remotely and securely, allowing them to view, create and amend their employees' data, run reports and perform benefit calculations.

i-Connect is a system used which allows employers to securely upload monthly payroll data into the pension database, improving efficiency and accuracy of data and ensuring timely record maintenance.

# Scheme Administration (Continued)

## Scheme Framework

The Local Government Pension Scheme is a statutory funded pension scheme. The operation of the Cambridgeshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) which have been made within the context of the primary legislation of the Public Service Pensions Act 2013.

The Scheme covers eligible employees of the County Council, the Police Authority, Police and Crime Commissioner, Unitary, District and Borough Councils and Academies within the county area other than teaching staff, police officers and fire-fighters for whom separate statutory arrangements exist. A number of other bodies are also members of the scheme.

Employers' contribution rates are set by the Fund's Actuary every three years following the valuation of the Fund, in order to maintain the solvency of the Fund. The last valuation took place as at 31 March 2019. The results of the valuation were a funding level of 100% and an average primary employer contribution rate of 18.4% (31 March 2016: 18.1%). The primary rate includes an allowance of 0.6% (31 March 2016: 0.6%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% (31 March 2016: 6.3%) of pensionable pay.

On 1 April 2014, the new Local Government Pension Scheme 2014 came into effect, allowing more flexibility around paying into the scheme and drawing benefits. Normal pension age is linked to the state pension age but benefits can be drawn earlier or later, between age 55 and 75. The normal retirement age is the age a member can access their pension in full; if it is accessed before that date benefits will usually be reduced and if accessed after normal retirement age benefits may increase. All service built up to 31 March 2014 in the LGPS is fully protected and will continue to be based on a member's final year annual pay when the individual leaves the LGPS.

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection known as the 'underpin' for members who were active on 31 March 2012 and were within ten years of their Protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

# Scheme Administration (Continued)

The below table compares the 2008 and the 2014 schemes.

	LGPS 2008	LGPS 2014
<b>Basis of Pension</b>	Final Salary	Career Average Revaluated Earnings (CARE)
<b>Accrual Rate</b>	1/60 <sup>th</sup>	1/49 <sup>th</sup>
<b>Revaluation Rate</b>	Based on Final Salary	Consumer Prices Index (CPI)
<b>Pensionable Pay</b>	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
<b>Employee Contribution Rates</b>	Between 5.5% and 7.5%	Between 5.5% and 12.5%
<b>Contribution Flexibility</b>	No	Option to pay 50% contributions for 50% of pension benefit
<b>Normal Pension Age</b>	65	Equal to individuals state pension age
<b>Lump Sum Trade Off</b>	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
<b>Death in Service Lump Sum</b>	3 x Pensionable Pay	3 x Pensionable Pay
<b>Death in Service Survivor Benefits</b>	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement	1/160 <sup>th</sup> accrual based on Tier 1 ill health pension enhancement
<b>Ill Health Provision</b>	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65)	Tier 1 – Immediate payment with service enhanced to Normal Pension Age
	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65)	Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age
	Tier 3 – Temporary payment of pension for up to 3 years	Tier 3 – Temporary payment of pension for up to 3 years
<b>Indexation of Pension in Payment</b>	CPI (RPI for pre-2011 increases)	CPI
<b>Vesting Period</b>	3 months	2 years

# Scheme Administration (Continued)

## Pension Committee and Board membership

The following table shows the attendance of Committee and Board members at applicable Pension Fund Committee, Investment Sub-Committee and Local Pension Board meetings during 2019-20, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken
Councillor Terry Rogers - Chairman	• Pensions Committee • Investment Sub-Committee	4/4*	13 Sessions
Councillor Ian Gardener – vice Chairman	• Pensions Committee • Investment Sub-Committee	3/4*	8 Sessions
Councillor Anne Hay	• Pensions Committee • Investment Sub-Committee	3/4*	7 Sessions
Councillor Mike Shellens	• Pensions Committee • Investment Sub-Committee	4/4*	9 Sessions
John Walker	• Pensions Committee • Investment Sub-Committee	2/4*	10 Sessions
Councillor David Seaton	• Pensions Committee • Investment Sub-Committee	1/4*	2 Sessions
Lee Phanco	• Pensions Committee • Investment Sub-Committee	2/4*	5 Sessions
Councillor Peter Downes	• Pensions Committee	3/4*	6 Sessions
Councillor Joshua Schumann	• Pensions Committee	2/4*	8 Sessions
Councillor Richard Robertson	• Pensions Committee	4/4*	8 Sessions
Matthew Pink	• Pensions Committee	2/4*	4 Sessions
Liz Brennan (Substitute)	• Pensions Committee	3/4*	6 Sessions
Councillor Simon King - Chairman	• Local Pension Board	4/4	8 Sessions
David Brooks – Vice Chairman	• Local Pension Board	4/4	8 Sessions
Councillor Elisa Meschini	• Local Pension Board	4/4	7 Sessions
Councillor Denis Payne	• Local Pension Board	4/4	11 Sessions
Barry O’Sullivan	• Local Pension Board	3/4	9 Sessions
John Stokes	• Local Pension Board	4/4	10 Sessions

\* The meeting scheduled for 19<sup>th</sup> March 2020 was cancelled



# Scheme Administration (Continued)

## Policies and Strategy Statements

Information about the Fund's policies and procedures can be found on the Fund's website:

[Cambridgeshire Pension Fund Key Documents](#)

The following policies were in place during the financial year

[Administering Authority Discretions](#)

[Administration Strategy](#)

[Admitted Bodies Scheme Employers and Bulk Transfers Policy](#)

[Annual Business Plan & Medium Term Strategy 2019-20](#)

[Anti-Fraud and Corruption Policy](#)

[Cash Management Strategy](#)

[Communications Strategy](#)

[Data Improvement Plan](#)

[Data Improvement Policy](#)

[Digital Communication Strategy](#)

[Funding Strategy](#)

[Governance Policy and Compliance Statement](#)

[Investment Strategy Statement](#)

[Overpayment of Pension Policy](#)

[Payment of Pension Contributions Policy](#)

[Reporting Breaches of the Law to the Pensions Regulator Policy](#)

[Risk Register](#)

[Risk Strategy](#)

[Training Strategy](#)

## Statement/Policy Changes in 2019-20

The **Digital Communication Strategy** has been introduced during 2019-20 -

- To provide detail on the commitment outlined in the Communication Strategy regarding the use of technology to enhance the services of LGSS Pensions,
- To provide information about how the Fund will use digital communication technologies to meet the communication objectives.

The **Anti-Fraud and Corruption Policy** was reviewed during 2019-20 resulting in the following changes –

- The inclusion of the Fund's Mortality and Address screening activity to prevent fraud,
- The inclusion of how the Fund will contact overseas pensioners to reduce the likelihood of fraud.

The **Risk Register** was reviewed during 2019-20 resulting in the following changes –

- A risk was added to address climate change,
- The register has been reviewed and updated during the course of the year to ensure it remains fit for purpose.

# Management and Financial Performance

## The Team

LGSS Pensions is based in Northampton and consists of the following teams:

- **Operations** – maintain member records, calculate benefits and pensions payable.

Contact: [Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.gov.uk)

- **Employers** – contact point for employers of the scheme and those wanting to join. Deliver training sessions to employers and payroll providers covering the systems available to assist them in efficiently participating in the Fund.

Contact: [PenEmployers@northamptonshire.gov.uk](mailto:PenEmployers@northamptonshire.gov.uk)

- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.

Contact: [PenSystems@northamptonshire.gov.uk](mailto:PenSystems@northamptonshire.gov.uk)

- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.

Contact: [LGSS-Pen-Investments@northamptonshire.gov.uk](mailto:LGSS-Pen-Investments@northamptonshire.gov.uk)

- **Governance** – support all Committees in governing the Fund effectively, develop and monitor policies and practices to improve data quality and ensure regulatory compliance.

Contact: [Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.gov.uk)

- **Funding** – record and reconcile contributions paid into the Fund and accounts for fund expenses. Provide financial monitoring and reporting of functions such as debt management and cash requirements.

Contact: [PenContributions@northamptonshire.gov.uk](mailto:PenContributions@northamptonshire.gov.uk)

## Complaints

Should you have a complaint about the service, we will do our best to put things right. To access support, please contact

[Pensions@northamptonshire.gov.uk](mailto:Pensions@northamptonshire.gov.uk), telephone 01604 366537, or write to:

LGSS Pensions – Governance Team

One Angel Square,

Angel Street

Northampton

NN1 1ED

## Appeals

The LGPS regulations provide Internal Dispute Resolution Procedures (IDRP), details of which can be accessed via the LGSS [website](#).

Stage 1 disputes are heard by the Employer if the complaint concerns an Employer decision or Head of Pensions if an administering authority decision. At Stage 2, the complaint is considered by Cambridgeshire County Council's Monitoring Officer, and if the complainant is still unhappy with the decision they may refer the case to The Pensions Ombudsman. At any stage a scheme member has the right to direct their complaint to The Pensions Ombudsman. More information can be found at [Pensions Ombudsman](#).

The following formal disputes have arisen and/or been resolved during the year:

Nature of dispute	Stage 1	Stage 2
Recovery of overpayment of pension	Partially upheld (in 2018/19)	Not upheld
Transfer out of pension benefits after benefit crystallisation event	Not upheld (in 2018/19)	Not upheld
Recovery of overpayment of pension	Partially upheld (in 2018/19)	Not upheld
Recovery of overpayment of pension	Partially upheld (in 2018/19)	Not upheld
Entitlement to frozen refund	Not upheld	
Transfer out reinstatement	Pending additional information from scheme member	

*Note: increase in number of overpayment recovery disputes due to project to reconcile pensions administration to pensioner payroll system in 2018/19.*

# Management and Financial Performance (Continued)

## Managing Decision Making

Cambridgeshire County Council has established a Pension Fund Committee (PFC) and Investment Sub-Committee (ISC) having strategic and operational investment decision making powers, respectively.

Membership of both bodies consist of elected members, and non-elected employer and scheme member representatives. All members of the ISC sit on the PFC.

The PFC's business covers all Fund matters with the exception of non-strategic investment issues, which are delegated to the ISC. Officers across the operations, investment, transactions, corporate and governance functions support the PFC and ISC as required. All meetings of the PFC and ISC are duly minuted.

PFC members and ISC members are required to attain a desired level of skills and knowledge, to ensure decisions being made on behalf of Cambridgeshire County Council Pension Fund are made with full understanding of the impact and therefore mitigating the risk of unfounded decisions.

The Committee members must at all times be conscious of their accountability to stakeholders. The PFC is responsible for determining the nature and extent of any significant risks taken on by the Administering Authority in the pursuit of its strategic objectives. Risk management should be dynamic and comprehensive, considering operational, reputational and environmental, social and governance (ESG) risks in addition to financial risks.

The Cambridgeshire Full Council has acknowledged the establishment of the ACCESS Joint Committee (AJC) delegating powers to this body in response to the Government's pooling agenda. The Chairman and Vice Chairman of the PFC represent the Fund on the AJC, supported by Fund officers working in the ACCESS Officers Working Group (OWG).

The Local Pension Board (LPB) was established on 1 April 2015, providing an additional layer of governance for the Fund. The LPB is non-decision making but has the responsibility of assisting the Administering Authority to:

- Secure compliance with the Local Government Pension Scheme (LGPS) regulations and other legislation relating to the governance and administration of the LGPS and also the requirements imposed by the Pensions Regulator in relation to the LGPS; and
- Ensure the effective and efficient governance and administration of the LGPS.

The LPB has provided a separate annual report of its activities to Council for this financial year.

# Management and Financial Performance (Continued)

## Risk Management

Cambridgeshire County Council, the Administering Authority to the Cambridgeshire Pension Fund, has both a risk strategy and a risk register in place to identify, evaluate, mitigate and monitor risks associated with the activities that the Fund carries out. Risk is managed through regular reporting to both the Pension Fund Committee and Local Pension Board. This ensures that risks are integrated within the governance structure of Cambridgeshire County Council and all follow a consistent approach.

Identified risks are recorded in the Risk Register, a copy of which can be found at:

[Cambridgeshire Pension Fund's Risk Register](#)

The aim of the Risk Register is to ensure that an informed decision can be made on whether a risk can, or should be accepted. Risk appetite is informed by an understanding of any existing controls and will also be influenced by the expected reward or outcome. The Cambridgeshire Pension Fund uses a matrix criterion for assessing the impact and likelihood of a risk to enable effective decision making.

Risks recorded in the Risk Register are managed in line with the Pension Fund objectives to ensure relevance and are reviewed by the Pension Fund Committee twice a year and the Local Pension Board quarterly. New risks are therefore identified promptly and current risks are monitored on a regular basis, with risk ratings revised where necessary. The accompanying Risk Strategy is reviewed on an annual basis to ensure it remains relevant to support the Risk Register.

The objective of an internal audit is to educate management and employees about how they can improve business operations and efficiencies while giving reliability and credibility to the financial reports that go to shareholders. Internal audit awarded the Fund substantial assurance following its testing within the year.

Third party risks are managed through the Risk Register and associated policies, such as the Payment of Pension Contributions Policy.

Mitigations are put in place to minimise third party risks and, in particular, the risks associated with Scheme Employers and effective covenant monitoring.

## Investment Risk

The Fund's Investment Strategy Statement, which is reviewed annually, sets out the Fund's investment strategy which incorporates evaluation of key investment risks. In addition the Statement of Accounts section of this document, provides further information about Investment risks and how they apply to the Investment Assets held by the Fund.

There are many risks inherent in investments. The Fund addresses these in the following ways:

**Market Risk –**  
investments will reduce in value due to fluctuations in prices, interest rates, exchange rates and credit spreads.

The Fund invests in different markets across the world and in different types of investment to reduce the risk of the portfolio reducing in value due to adverse market conditions and to smooth returns.

**Price Risk –**  
investments may be incorrectly valued due to price fluctuations or estimates used in pricing.

Investments are valued at published prices, where available. Investments that are not sold on a market are valued by specialist Investment Managers. Notes 16, 17 and 18 in the Statement of Accounts give information about how investments are valued and give an indication of the value of investments subject to an element of estimation.

At year end all Investment Managers are required to provide ISAE 3402 Service Organisation Control Report which are made available to external audit. This includes Link Fund Solutions who are the Operator of the ACCESS pool.

# Management and Financial Performance (Continued)

## Financial Performance

The financial performance of the Fund is monitored against budgeted performance on a regular basis throughout the year by the Pension Fund Committee.

Performance Indicators	2019-20 Forecast £000	2019-20 Actual £000
Contributions	131,000	126,471
Transfers in from other funds	4,200	6,704
<b>Total Income</b>	<b>135,200</b>	<b>133,175</b>
Benefits payable	(105,000)	(107,863)
Payments to and for leavers	(9,100)	(10,119)
<b>Total Benefits</b>	<b>(114,100)</b>	<b>(117,982)</b>
<b>Surplus of contributions over benefits</b>	<b>21,100</b>	<b>15,193</b>
Management Expenses		
Administrative costs	(2,930)	(3,415)
Investment Management expenses	(6,560)	(14,673)
Oversight and Governance costs	(550)	(916)
<b>Total Management Expenses</b>	<b>(10,040)</b>	<b>(19,004)</b>
<b>Total Income less Expenses</b>	<b>11,060</b>	<b>(3,811)</b>
Investment Income	36,000	34,447
Taxes on Income	-	(2)
Profit/(loss) on disposal and changes in market value of investments	84,000	(225,559)
<b>Net return on investments</b>	<b>120,000</b>	<b>(191,114)</b>
<b>Net increase/(decrease) in assets during the year</b>	<b>131,060</b>	<b>(194,925)</b>

Management expenses per active member are shown below:

	2017-18	2018-19	2019-20
Active members	27,497	28,976	30,422
Administrative cost	£82.81	£69.64	£112.25
Investment Management expenses	£527.40	£501.93	£482.32
Oversight and Governance costs	£6.36	£11.29	£30.11

## Variance Analysis

- Contribution differences reflects employers paying multiple year deficit payments in earlier years.
- Investment Management expenses forecast is understated as this does not include pooled fees deducted from market value.
- Oversight and Governance costs include consultancy and legal fees previously classified in Investment Management expenses.
- The 2019-20 Forecast for profit/loss on disposal and changes in market value of investments assumed the actuarial target would be achieved. The actual market experience is explained in the investments consultant's review on page 38.
- Details of non-investment assets and liabilities of the Fund can be found in the Statement of Accounts in Notes 21 to 22.

# Management and Financial Performance (Continued)

## Performance Indicators

The Fund has developed a number of Key Performance Indicators (KPIs) to monitor service delivery, these KPIs are reviewed internally on a monthly basis to monitor and inform where delivery is met or remedial action is required. The Pension Fund Committee receives quarterly performance updates within a Business Plan update.

The below table shows the number and trend of the top 7 types of scheme administration cases demonstrating both workload and efficiency in meeting internal KPI and external legal requirements.

	Cases completed in the year	Cases completed within KPI target
<b>Deaths</b> – initial letter acknowledging death of member <i>KPI: 5 working days, Legal requirement: 2 months</i>	488	488
<b>Deaths</b> – letter notifying amount of dependant’s pension <i>KPI: 5 working days, Legal requirement: 2 months</i>	272	270
<b>Estimates</b> – letter notifying estimate of retirement benefits to employee <i>KPI: 10 working days, Legal requirement: 2 months</i>	968	929
<b>Retirements</b> – process and pay pension benefits on time <i>KPI: 5 working days, Legal requirement: 2 months</i>	463	417
<b>Deferment</b> – calculate and notify deferred benefits <i>KPI: 15 working days, Legal requirement: N/A</i>	2811	2374
<b>Transfers in</b> – Letter detailing transfer in (actual) <i>KPI: 10 working days, Legal requirement: 2 months</i>	182	172
<b>Transfers out</b> – letter detailing transfer out (quote) <i>KPI: 10 working days, Legal requirement: 3 months</i>	580	565

# Management and Financial Performance (Continued)

## Contributions

The Fund works closely with employers to collect contributions on time. The following table shows the amount of regular employee and employer contributions paid during the year and the value and percentage of which were paid both on time and after the deadline of the 19th day of the month following deduction.

Contributions	Total Paid in 2019-20 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	98,761	97,957	99.2	804	0.8
Employee	27,710	27,488	99.2	222	0.8
<b>Total</b>	<b>126,471</b>	<b>125,445</b>	<b>99.2</b>	<b>1,026</b>	<b>0.8</b>

The Fund did not apply any additional charges or levies in respect of contributions received late, and no reports were made to The Pensions Regulator in respect of late contributions during the year.

## Recovery of Overpayments of Pension

The Fund participates in the National Fraud Initiative which is a biennial process undertaken in conjunction with the Audit Commission. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll <sup>2</sup>	£81,501,089
Total write off amount	£61,006
Write off amount as % of payroll	0.07%

<sup>2</sup>Excludes additional pension awarded by the employer.

The following tables show the analysis of pension overpayments that occurred during the last five years:

Year	Overpayment	Recovered/in progress	Written Off
2014-15	£87,357	£17,705	£29,883
2015-16	£88,375	£7,640	£11,913
2016-17	£81,468	£29,552	£26,072
2017-18	£68,606	£34,448	£18,498
2018-19 <sup>1</sup>	£344,153	£282,908	£61,245
2019-20	£97,143	£36,137	£61,006

<sup>1</sup>Overpayments in 2018-19 and 2019-20 appear particularly high, as in addition to usual activity, the Fund undertook a significant reconciliation project during the year in which a number of overpayments were identified.

Overpayments identified in 2018-19 with a value of under £250 are automatically written off, in line with the Fund's Overpayments Policy.

# Management and Financial Performance (Continued)

## Contributors to the Fund

Active Employers as at 31 March 2020

Type Of Body	Number of Active Employers
<b>Administering (AA)</b>	<b>1</b>
<b>Scheduled (S)*</b>	<b>337</b>
<b>Admitted (Ad)</b>	<b>122</b>
<b>Total</b>	<b>460</b>

The table, left, shows employers in the fund as at the 31 March 2020, the breakdown of contributions by employer shown below will have different numbers of employers, as employers joined and left the fund throughout the year, an active or ceased column has been added to show this movement. Where contributions exist for ceased employers, this will be where prior year adjustments have been made within 2019-20, or contribution receipts recorded within the period.

\*LEA schools are included within Scheduled Bodies, and in table below are shown in Body column as S\*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Abbey College Academy	51,909	177,129	229,039		S
Abbey Meadows Primary (CCC)	4,395	16,425	20,821	Y	S*
Abbotsmead Primary Sch (PCC)	3,653	-	3,653	Y	S*
Abbots Ripton School (CCC)	4,815	19,015	23,830		S*
ABM Catering (Oakdale Primary School)	590	2,400	2,990		Ad
ABM Catering Limited (Abbots Ripton CE Primary)	581	2,322	2,903		Ad
ABM Catering Limited (Alderman Jacobs)	2,016	7,246	9,261		Ad
ABM Catering Limited (Bushmead Primary and Elsworth Primary)	1,515	5,846	7,361		Ad
ABM Catering Limited (Heltwater Primary and Marshfields Primary School)	464	1,978	2,442		Ad
ABM Catering Limited (Morley Memorial)	34	131	165	Y	Ad
ABM Catering Limited (Orchard Park)	134	583	717	Y	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
ABM Catering Limited (St John's CE Primary School (Huntingdon))	2,178	9,653	11,832		Ad
ABM Catering Limited (The Beeches Primary and Hampton Hargate Primary)	4,388	18,827	23,214		Ad
ABM Catering Limited (Wyton on the Hill Primary School)	394	1,574	1,968	Y	Ad
ABM Catering Ltd (Great Paxton Primary School, Newton Community Primary School, Offord Primary School and Samuel Pepys School)	1,993	7,581	9,574		Ad
ABM Catering Solutions (Middleton Primary School)	1,832	7,976	9,808		Ad
Action for Children	2,548	-	2,548		Ad
Active Learning Trust (HQ)	66,375	144,379	210,754		S
ADeC	486	5,586	6,072	Y	Ad
Advanced Cleaning Services (Burwell & Netherhall)	757	2,977	3,734		Ad
Alconbury C of E Primary (CCC)	14,380	55,924	70,304		S*



# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Alderman Jacobs Academy	29,273	103,087	132,359		S
Alderman Payne Primary (CCC)	6,251	24,856	31,107		S*
All Saints Inter Church Academy	15,205	60,431	75,636		S
All Saints' Primary School (PCC)	26,402	111,100	137,502		S*
Alliance in Partnership	1,023	4,092	5,116		Ad
Arbury Primary School (CCC)	22,513	86,338	108,851		S*
Arthur Mellows VC Academy	80,814	264,530	345,344		S
Ashbeach Primary School (CCC)	11,542	45,827	57,369		S*
Aspens (Brampton Village Primary School)	668	2,566	3,234	Y	Ad
Aspens (Brewster Avenue, Dogsthorpe Infants, Oakdale Primary and St Augustine's CE Junior)	3,777	15,879	19,655	Y	Ad
Aspens (Hemingford Grey)	708	2,816	3,524		Ad
Aspens (Staploe Ed Trust)	76	346	422	Y	Ad
Aspens (Swavesey)	774	2,887	3,661		Ad
Aspens (The Harbour School)	1,453	5,764	7,217		Ad
Aspens Service Ltd (Weatheralls Primary School)	65	269	335	Y	Ad
Aspens Services Ltd (Cottenham VC)	2,240	8,508	10,748		Ad
Aspens Services Ltd (Willingham Primary)	42	167	209	Y	Ad
Babraham CE Primary Academy	4,849	19,757	24,606		S
Balfour Beatty	2,871	19,696	22,567		Ad
Balsham Parish Council	616	4,123	4,739		S
Bar Hill Community Primary School	17,635	71,868	89,503		S
Bar Hill Parish Council	1,310	8,380	9,690		S
Barnabas Oley CE Primary (CCC)	6,487	25,764	32,251		S*
Barnack CE Primary School (PCC)	11,025	45,893	56,919		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Barrington CE Primary (CCC)	7,452	29,611	37,062		S*
Barton Primary School (CCC)	7,054	27,584	34,638		S*
Bassingbourn Primary (CCC)	15,564	61,942	77,506		S*
Bassingbourn V C Academy	20,255	68,730	88,986		S
Beaupre CP School (CCC)	15,282	59,596	74,879		S*
Bellbird School (CCC)	20,381	80,181	100,562		S*
Benwick Primary School (CCC)	8,878	34,762	43,640		S*
Bewick Bridge C P Sch (CCC)	14,557	55,966	70,523		S*
Bishop Creighton Academy	14,832	51,249	66,081		S
Bottisham Community Primary Academy	12,771	53,042	65,813		S
Bottisham VC Academy	77,528	229,687	307,215		S
Bourn Primary Sch-Academy	12,050	39,125	51,175		S
Brampton Village School (CCC)	28,328	112,179	140,507		S*
Braybrook Primary School Academy	17,590	70,788	88,378		S
Bretton Parish Council	1,765	9,995	11,760	Y	S
Brewster Avenue School (PCC)	15,904	67,579	83,483		S*
Brington CE Primary School (CCC)	4,124	16,491	20,615		S*
Brunswick Nursery School (CCC)	12,542	47,923	60,465		S*
Buckden CE Primary Sch-Academy	20,358	69,910	90,268		S
Burnt Fen I D B	3,218	18,088	21,306		S
Burrough Green Primary (CCC)	5,027	19,872	24,899		S*
Burrowmoor Primary Acad.	33,153	122,383	155,536		S
Burwell Parish Council	1,652	9,350	11,002		S
Burwell VC Primary (CCC)	20,274	78,910	99,184		S*
Bury CE Primary Sch (MAT)	6,880	27,595	34,475		S
Bushmead Primary School (CCC)	22,799	89,119	111,918		S*
Busy Bee Cleaning Services Ltd (St Bede's Inter-Church School)	152	638	790		Ad
Caldecote Parish Council	324	2,166	2,490		S

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caldecote Primary School (CCC)	10,720	41,512	52,232		S*
Cambourne Parish Council	19,456	111,983	131,439		S
Cambourne Village Coll. Acad. (MAT)	62,567	181,698	244,265		S
Cambridge & Peterborough NHS Foundation Trust	13,673	66,332	80,005		Ad
Cambridge Academic Partnership	115,135	351,370	466,505		S
Cambridge AP Academy (TBAP)	5,993	23,233	29,225		S
Cambridge City Council	1,636,156	4,195,718	5,831,874		S
Cambridge Meridian Academy Trust (HQ staff)	90,338	268,056	358,394		S
Cambridge Regional College	527,069	1,979,387	2,506,456		S
Cambridgeshire & Pboro CCG (NHS)	11,487	112,112	123,599		Ad
Cambridgeshire and Peterborough Combined Authority	217,653	593,736	811,389		S
Cambridgeshire County Council	6,297,520	20,939,223	27,236,742		AA
Cambs & P'boro Fire Authority	359,501	1,369,956	1,729,457		S
Cambs Chief Constable	1,694,238	6,027,245	7,721,483		S
Cambs Police & Crime Commis'er	51,256	145,085	196,341		S
Care Quality Commisson	9,320	33,331	42,651		Ad
Carers Trust	1,106	4,195	5,301		Ad
Castle Camps Primary (CCC)	5,780	22,925	28,705		S*
Castle School (CCC)	78,001	303,568	381,570		S*
Castor CE Primary School (PCC)	9,820	41,491	51,310		S*
Cater Link Ltd	5,376	20,791	26,167		Ad
Caterlink (Anglian Learning)	2,281	10,215	12,496		Ad
CaterLink (Diamond Learning Partnership Trust)	3,591	15,018	18,610		Ad
Caterlink (Priory Park Infant School)	458	1,842	2,301		Ad
Caterlink (St Peter's HD Academy)	319	1,202	1,521	Y	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caterlink (The Diamond Learning Partnership: Glebelands Primary School, Leverington Primary Academy, Murrow Primary Academy and Thomas Eaton Primary Academy)	2,670	19,711	22,381		Ad
Caterlink (Witchford VC Academy)	3,243	10,023	13,266		Ad
Caterlink Uk Ltd (Ernulf Academy)	1,631	10,048	11,679		Ad
Caterlink UK Ltd (The Vine Inter-Church School)	3,068	12,019	15,087		Ad
Cavalry Primary Academy	35,175	146,163	181,338		S
Caverstede Nursey School	22,196	92,470	114,666		S*
Chartwells Catering (Netherhall)	24,290	68,880	93,171		Ad
Chatteris Town Council	2,337	14,047	16,384		S
Cherry Hinton Primary (CCC)	17,556	67,801	85,357		S*
Chesterton Academy	85,256	218,257	303,514		S
Chesterton Primary Acad. (MAT)	9,156	29,442	38,598		S
Cheveley Primary School (CCC)	5,688	22,672	28,360		S*
Churchill Contract Services	13,147	23,590	36,736		Ad
Churchill Contract Services (Thorndown)	729	2,917	3,647	Y	Ad
City College Peterborough (was PCAE) (PCC)	164,967	598,538	763,505		S
City of Ely Council	23,874	142,610	166,484		S
City of Peterborough Academy (MAT)	37,949	132,875	170,824		S
Clarkson Infants School (CCC)	19,213	73,698	92,911		S*
Clean Slate Ltd (Histon EYC - Early Years Centre)	285	1,140	1,425	Y	Ad
CleanTec Services (Cromwell Academy)	437	1,774	2,211		Ad
Coates Primary School (CCC)	12,186	47,617	59,803		S*

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Collections Trust	2,322	16,716	19,038		Ad
Colleges Nursery School (CCC)	13,705	52,952	66,657		S*
Colville Primary School (CCC)	19,158	74,167	93,325		S*
Comberton Academy Trust (HQ)	29,338	76,938	106,276		S
Comberton VC Academy	140,153	485,595	625,748		S
Compass Contract Services	3,423	13,099	16,522		Ad
Conservators of the River Cam	6,223	44,803	51,026		Ad
Coram Cambridgeshire Adoption Limited	5,221	17,601	22,822	Y	Ad
Coton C of E Primary School (CCC)	7,426	29,281	36,707		S*
Cottenham Primary School (CCC)	29,656	115,890	145,545		S*
Cottenham VC Academy	55,867	191,734	247,602		S
CRCC - Cambridge Rape Crisis Centre	1,671	5,655	7,326		Ad
Cromwell Academy	15,583	56,012	71,595		S
Cromwell Comm College (Academy)	57,045	217,032	274,077		S
Cross Keys Homes Ltd	19,866	415,227	435,094		Ad
Crosshall Infants Academy	36,829	120,492	157,321		S
Crosshall Juniors Academy	30,450	101,631	132,081		S
Cucina Ltd	1,213	4,762	5,975		Ad
Diocese of Ely Multi Academy Trust (DEMAT) HQ Staff	4,603	16,661	21,264		S
Discovery Primary Academy	36,390	130,074	166,464		S
Ditton Lodge Primary School	12,754	50,149	62,903		S
Dogsthorpe Academy	22,824	99,082	121,906		S
Downham Feoffees Primary Academy	7,039	27,671	34,710		S
Dry Drayton Primary (CCC)	2,885	11,315	14,199		S*
Duke of Bedford School (PCC)	15,953	68,369	84,323		S*
Duxford Primary School (CCC)	14,812	57,681	72,493		S*
Earth Primary Academy	6,289	25,858	32,147		S
East Cambs District Council	328,540	1,107,429	1,435,970		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
East of England Local Government Association (EEDA/EERA)	57,177	223,785	280,962		Ad
Eastfield Inf and Nursery (CCC)	17,441	69,092	86,533		S*
Easy Clean (Arbury Primary School)	75	300	375		Ad
Easy Clean (Godmanchester)	788	2,973	3,762		Ad
Easy Clean (Kings Hedges)	241	964	1,205		Ad
Easy Clean (Little Paxton)	232	928	1,160		Ad
Easy Clean (The Phoenix School - Phase 1 Juniors)	739	3,466	4,205		Ad
Easy Clean (The Phoenix School - Phase 2 Secondary)	715	2,879	3,595		Ad
Easy Clean (Upwood Primary School)	338	1,413	1,750		Ad
Easy Clean Contractors (Milton Primary School)	389	1,625	2,013		Ad
Ecovert FM Ltd	1,857	9,559	11,416		Ad
Edmund Trust	586	4,764	5,350		Ad
Edwards & Blake Limited (Spring Common Academy)	213	908	1,121		Ad
Edwards & Blake Ltd (Coates Primary School)	381	13,621	14,002		Ad
Edwards and Blake (Cottenham)	498	1,933	2,431		Ad
Edwards and Blake (Godmanchester Community Education Trust)	388	1,525	1,914		Ad
Edwards and Blake (Little Paxton Primary)	909	3,676	4,585		Ad
Edwards and Blake (New Road Primary School)	245	61	307	Y	Ad
Edwards and Blake (Stukeley Meadows)	527	2,108	2,635		Ad

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Edwards and Blake Ltd (Bassingbourn Primary)	844	3,280	4,124		Ad
Elior UK	1,041	-	1,041		Ad
Elm Cof E Primary Academy	17,599	66,239	83,839		S
Elm Road Primary Sch. Academy	14,288	58,297	72,585		S
Elsworth CE (A) Primary School (CCC)	6,467	25,603	32,070		S*
Elton Church School (CCC)	6,656	26,047	32,704		S*
Ely (City of) College - Academy	51,620	174,395	226,015		S
Ely St John Primary (CCC)	18,037	70,074	88,112		S*
Enterprise Managed Services	10,254	38,982	49,237	Y	Ad
Ermine Street Church Academy	9,235	37,162	46,397		S
Ernulf Academy	48,842	168,329	217,171		S
Eye C of E Primary School (PCC)	31,126	123,581	154,707		S*
Eye Parish Council	543	3,444	3,987		S
Eynesbury CE School (CCC)	14,422	57,285	71,707		S*
Eyrescroft Primary Sch. Academy	29,724	115,131	144,855		S
Family Psychology Mutual	15,026	62,423	77,448		Ad
Farcet CE Primary Academy	9,997	39,167	49,164		S
Farcet Parish Council	677	4,529	5,206		S
Fawcett Primary School (CCC)	31,255	122,078	153,333		S*
Fen Ditton Primary Academy	8,809	35,574	44,382		S
Fen Drayton Primary (CCC)	6,805	26,778	33,584		S*
Fenland District Council	543,479	1,396,626	1,940,105		S
Fenstanton Primary School (CCC)	14,958	57,633	72,591		S*
Fields Early Years Centre (CCC)	22,789	86,179	108,968		S*
Folksworth CE Primary (CCC)	4,168	16,670	20,837		S*
Fordham Primary School (CCC)	9,420	38,204	47,624		S*
Fourfields Primary School (CCC)	30,043	117,286	147,329		S*
Fowlmere Primary School (CCC)	4,788	19,153	23,942		S*
Foxton Primary School (CCC)	7,055	28,613	35,668		S*
Freedom Leisure (Fenland DC)	65,885	283,108	348,993		Ad
Friday Bridge Primary (CCC)	9,210	36,013	45,223		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Friends Therapeutic Community	64,899	358,508	423,407		Ad
Fulbourn Primary School (CCC)	18,558	71,890	90,448		S*
Fulbridge Academy	89,930	317,072	407,002		S
Fusion	490	1,559	2,050		Ad
Gamlingay First School Academy	14,905	60,839	75,744		S
Gamlingay Parish Council	4,291	25,560	29,851		S
Girton Glebe Primary (CCC)	11,067	43,050	54,117		S*
Gladstone Primary Academy	37,508	149,255	186,764		S
Glebelands Primary Academy	21,195	87,232	108,427		S
GLL - Greenwich Leisure Ltd	6,821	29,328	36,150		Ad
Godmanchester Community Academy	34,619	119,639	154,258		S
Gorefield Primary Academy	8,779	35,487	44,266		S
Granta School (CCC)	70,707	254,338	325,045		S*
Great Abington Primary (CCC)	6,142	24,124	30,266		S*
Great and LT Shelford (CCC)	11,941	47,534	59,475		S*
Great Gidding CE Primary (CCC)	4,496	17,580	22,075		S*
Great Paxton C of E Primary (CCC)	10,208	39,087	49,295		S*
Great Staughton Academy (MAT)	4,746	19,415	24,161		S
Great Wilbraham Primary (CCC)	6,002	22,753	28,755		S*
Greater Peterborough UTC	17,143	52,579	69,722		S
Guilden Morden Academy	5,658	21,639	27,297		S
Guyhirn C of E Primary Academy (CCC)	6,955	29,085	36,040		S
Haddenham Level Drainage Commissioners	1,734	9,815	11,549		S
Haddenham Parish Council	1,593	10,329	11,922		S
Hampton College Academy	89,780	294,057	383,837		S
Hampton Gardens Academy	22,367	65,312	87,679		S
Hampton Hargate Primary (PCC)	37,061	154,041	191,103		S*
Hampton Lakes Academy	683	2,360	3,043		S
Hampton Vale Primary Academy	40,028	137,122	177,150		S

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Hardwick Primary (CCC)	34,953	137,619	172,572		S*
Harston and Newton P Sch (CCC)	10,970	43,422	54,392		S*
Hartford Infant School	10,677	42,902	53,580		S
Hartford Junior School	17,894	62,236	80,129		S
Haslingfield Primary (CCC)	10,386	41,001	51,387		S*
Hatton Park School (MAT)	13,635	55,319	68,954		S
Hauxton Primary School (CCC)	6,373	25,494	31,868		S*
HCL (Hartford Infants, Hartford Junior and Gamlingay First School Academy)	4,269	18,900	23,170	Y	Ad
Heltwate School (PCC)	68,166	279,471	347,637		S*
Hemingford Grey Primary School	12,438	49,209	61,647		S*
Heritage Park School (PCC)	13,724	57,529	71,252		S*
Highfield Ely Academy	79,643	320,883	400,526		S
Highfield Littleport Academy	32,255	114,031	146,286		S
Highlees Primary Academy	28,645	122,884	151,529		S
Hills Road Sixth Form College	156,469	501,597	658,067		S
Hinchingsbrooke School	100,164	315,698	415,862		S
Histon and Imp. Infants (MAT)	15,721	65,116	80,837		S
Histon and Imp. Junior (MAT)	19,821	78,426	98,246		S
Histon and Impington Parish Council	6,139	36,194	42,332		S
Histon Early Years Centre (previously known as Histon Nursery School)	17,815	71,868	89,683		S*
Holme Church of England Primary Academy	7,565	31,165	38,730		S
Holmewood and District Internal Drainage Board	-	8,644	8,644	Y	S
Holywell CE(C)School (CCC)	10,807	42,385	53,192		S*
Home Close Ltd	1,004	56,524	57,528		Ad
Homerton College	196,617	555,318	751,935		Ad
Homerton Early Years Centre (Nursery School) (CCC)	17,973	70,175	88,147		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Houghton Primary School (CCC)	15,840	62,243	78,082		S*
Huntingdon Nursey School (CCC)	20,454	78,552	99,005		S*
Huntingdon Primary School (CCC)	37,140	143,408	180,548		S*
Huntingdon Town Council	42,281	228,320	270,601		S
Huntingdonshire College	- 582	-	582	Y	S
Huntingdonshire District Council	1,039,589	4,349,671	5,389,261		S
Icknield Primary School (CCC)	11,122	43,616	54,738		S*
Impington VC - Academy	116,151	340,372	456,524		S
Isle of Ely Academy	18,766	51,894	70,660		S
Isleham Primary School (CCC)	9,924	39,257	49,181		S*
Jeavons Wood Primary Academy	30,173	103,337	133,510		S
Kelsey Kerridge S H	15,579	108,800	124,379		Ad
Ken Stimpson Community School (PCC)	52,052	201,885	253,936		S*
Kennett Community School (Academy)	5,132	21,459	26,591		S
Kettlefields Primary (CCC)	7,024	27,484	34,509		S*
Kimbolton Primary Acad (MAT)	4,577	16,446	21,023		S
Kimbolton School (Independent School)	50,375	310,222	360,597		Ad
Kinderley Primary School (CCC)	7,086	27,929	35,015		S*
Kingdom Services Group	548	2,190	2,738	Y	Ad
Kings Hedges Primary (CCC)	49,407	183,282	232,690		S*
Kingsfield Primary School Academy	36,121	122,401	158,522		S
Lantern CP School Academy	23,747	85,436	109,183		S
Leverington Primary Academy	16,536	59,551	76,087		S
LGSS Law Ltd (CCC)	150,845	481,353	632,198		S
Linton Heights Junior Academy	11,186	40,226	51,412		S
Linton Infants School (CCC)	13,160	54,469	67,629		S*
Linton Parish Council	1,603	11,914	13,517		S
Linton VC Academy	52,105	164,823	216,928		S
Lionel Walden School (CCC)	16,098	63,773	79,870		S*
Little Downham Parish Council	1,998	11,311	13,309		S

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Little Paxton Parish Council	3,158	18,545	21,703		S
Little Paxton School (CCC)	17,968	70,663	88,630		S*
Little Thetford Primary (CCC)	7,182	28,555	35,737		S*
Littleport & East Cambridgeshire Academy	16,595	53,554	70,149		S
Littleport and Downham I D B	8,461	47,902	56,363		S
Littleport CP School (CCC)	29,505	114,058	143,564		S*
Long Road Sixth Form College	84,399	318,981	403,380		S
Longsands Academy	76,053	257,749	333,802		S
Luminus Group Limited	72,600	971,846	1,044,446		Ad
Lunchtime Company Ltd	2,809	9,807	12,616		Ad
Lunchtime Company Ltd (Abbey Meadows)	791	3,162	3,953		Ad
Lunchtime Company Ltd (Friday Bridge Primary)	384	1,536	1,920		Ad
Lunchtime Company Ltd (Fulbourn Primary)	1,341	5,364	6,705		Ad
Lunchtime Company Ltd (Gorefield)	297	1,243	1,541		Ad
Lunchtime Company Ltd (Grove Primary)	356	1,425	1,782		Ad
Lunchtime Company Ltd (Houghton Primary School)	1,006	4,026	5,032		Ad
Lunchtime Company Ltd (Kinderley)	181	722	903		Ad
Lunchtime Company Ltd (Over)	378	1,513	1,891		Ad
Lunchtime Company Ltd (St Laurence's Catholic Primary School)	1,057	4,228	5,285		Ad
Lunchtime Company Ltd (St Matthews)	463	1,853	2,317		Ad
Lunchtime Company Ltd (The Ashbeach Primary School)	722	2,887	3,608		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Lunchtime Company Ltd (Waterbeach)	608	2,433	3,041		Ad
Malco Services Limited (Newton Comm Primary & Homerton Early Years Centre)	526	2,776	3,302		Ad
Manea Primary School (CCC)	16,078	63,846	79,924		S*
Mayfield Primary School (CCC)	25,729	100,627	126,356		S*
Meadow Primary School	12,470	41,077	53,547		S
Meadowgate Academy (CCC)	74,804	281,013	355,817		S
Mears Ltd	46,360	-	46,360		Ad
Mears Ltd (SCDC)	10,163	-	10,163		Ad
Medeshamsted Academy (MAT)	36,624	106,408	143,032		S
Melbourn Primary School (CCC)	22,193	86,138	108,331		S*
Melbourn VC Academy	28,621	99,498	128,119		S
Meldreth Primary School (CCC)	13,379	53,034	66,413		S*
Mepal & Wicham CofE Primary Academy	4,647	16,391	21,037		S
Meridian School (CCC)	9,910	38,939	48,849		S*
Middle Fen and Mere I D B	20,872	98,770	119,642		S
Middle Level Commissioners	80,661	338,995	419,656		S
Middlefield CP School (Academy)	11,723	46,500	58,222		S
Millfield Primary School Academy	22,653	89,434	112,087		S
Milton Primary Academy	12,094	48,912	61,005		S
Milton Road Primary Sch (CCC)	20,125	77,509	97,634		S*
Mitie PFI Limited	1,358	2,938	4,295		Ad
Monkfield Park School (CCC)	25,369	87,604	112,973		S*
Morley Memorial School (CCC)	25,598	95,804	121,402		S*
Mountain Healthcare Ltd	1,746	6,223	7,970		Ad
Murrow Primary School Academy	7,635	26,890	34,526		S
Neale Wade Academy	87,141	327,762	414,902		S
Nene Infants Acad (MAT)	37,823	143,602	181,425		S
Nene Park Academy (MAT)	46,611	155,147	201,758		S



# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Netherhall School Academy	48,917	188,871	237,788		S
New Road Primary School (MAT)	11,387	45,137	56,525		S
Newark Hill Primary Acad (MAT)	18,656	77,994	96,650		S
Newborough Parish Council	648	1,683	2,331	Y	S
Newborough Primary (PCC)	10,805	45,048	55,854		S*
Newham Croft Primary (CCC)	13,793	52,967	66,760		S*
Nightingale Cleaning Limited - CMAT Schools	26,776	139,457	166,233		Ad
Nightingale Cleaning Limited - CPET Schools	628	2,632	3,260		Ad
North Cambridge Acad (MAT)	27,077	85,294	112,371		S
North Level IDB	40,151	207,038	247,189		S
Northborough Primary (PCC)	0	33,535	33,535		S*
Northstowe Secondary School	4,281	15,445	19,726		S*
Norwood Primary School (PCC)	15,810	63,194	79,004		S*
Nourish (All Saints Inter-Church Academy - Catering Service)	994	4,158	5,153		Ad
Nourish (Girton Glebe, Park Street, St Lukes and St Philips School - Catering Service)	1,931	7,732	9,663		Ad
NPS Peterborough Ltd	2,516	11,344	13,860		Ad
Oakington C of E Primary (CCC)	771	3,047	3,817	Y	S*
Oakington CofE Primary School Academy	7,749	30,659	38,407		S
Octavia AP Academy (TBAP)	5,952	23,721	29,674		S
Offord Primary School (CCC)	2,870	11,304	14,174	Y	S*
Offord Primary School Academy	3,784	16,387	20,170		S
Old Fletton Primary School (PCC)	33,997	138,875	172,872		S*
Orchard Park Comm School (CCC)	12,297	47,509	59,806		S*
Orchards CoE Primary Academy	37,982	144,041	182,023		S
Ormiston Bushfield Academy	67,721	200,610	268,331		S
Ormiston Meadows Acad (MAT)	22,644	105,526	128,170		S
Orton Waterville Parish Council	787	6,242	7,029		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Over Primary School (CCC)	11,455	45,203	56,659		S*
OWN Academy Trust	84,712	335,263	419,975		S
Oxford Archaeology	59,104	172,789	231,893		Ad
P3 - People, Places and Potential	1,488	5,008	6,496	Y	Ad
Pabulum (CPET: Hatton Park, Histon Infants, Histon Junior, Somersham and Trumpington Park)	4,186	17,503	21,689	Y	Ad
Pabulum (Morley Memorial Primary School)	1,542	5,985	7,527		Ad
Pabulum (St Bede's Inter-Church School)	2,993	12,227	15,220		Ad
Pabulum Catering Ltd	709	1,175	1,884	Y	Ad
Pabulum Catering Ltd (Downham Feoffees)	106	420	526	Y	Ad
Pabulum Catering Ltd (Ely College)	828	3,010	3,838	Y	Ad
Pabulum Catering Ltd (Sawtry Junior Academy)	321	1,341	1,661	Y	Ad
Pabulum Catering Ltd (Sawtry Village Academy)	1,545	8,158	9,703	Y	Ad
Pabulum Ltd (Hardwick & Cambourne Community Primary School)	4,580	18,320	22,900		Ad
Pabulum Ltd (Lantern CP School Academy)	1,995	7,254	9,249	Y	Ad
Park Lane Primary & Nursey School	26,820	105,133	131,953		S
Park Street CE (A) Primary (CCC)	6,812	26,701	33,514		S*
Paston Ridings Primary (PCC)	38,111	160,107	198,218		S*
Peakirk Cum Glinton Primary School (PCC)	18,934	79,095	98,029		S*
Peckover Primary Academy	28,118	117,245	145,364		S

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Pendragon CP School (CCC)	22,204	87,604	109,808		S*
Peterborough City Council	2,507,463	8,643,927	11,151,391		S
Peterborough Keys Academies Trust (comprising of Ravensthorpe Primary, Thorpe Primary, Jack Hunt, Longthorpe Primary, Middleton Primary)	260,027	1,006,632	1,266,660		S
Peterborough Ltd t/a Aragon Direct Services	140,582	389,198	529,779		Ad
Peterborough Regional College	369,525	1,419,651	1,789,176		S
Peterborough Womens Aid	-	50,400	50,400	Y	Ad
Petersfield Primary School (CCC)	6,039	23,953	29,992		S*
Phoenix School (PCC)	89,224	369,874	459,099		S*
Priory Junior School (CCC)	10,559	41,560	52,119		S*
Priory Park Infants School (CCC)	24,764	97,377	122,141		S*
Pupil Referral Service PCC	60,613	227,662	288,275		S
Queen Edith School (CCC)	30,844	118,267	149,111		S*
Queen Emma Primary School (CCC)	37,304	145,790	183,094		S*
Queen Katharine Academy (Previously known as The Voyager Academy)	83,965	309,285	393,250		S
Rackham CE School (CCC)	18,284	71,406	89,690		S*
Radis Community Care	14,203	43,768	57,971		Ad
Ramnoth Primary Acad (MAT)	19,965	77,115	97,080		S
Ramsey Community Junior Academy	11,510	47,431	58,941		S
Ramsey Spinning Infant Academy	12,175	49,794	61,969		S
Ridgefield Junior (CCC)	15,153	58,698	73,851		S*
Robert Arkenstall Primary (CCC)	15,216	61,256	76,472		S*
Roddons Housing Association	35,210	116,672	151,882		Ad
Romsey Mill Trust (Cambridge City Council)	380	1,203	1,583		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Round House C. P. Sch (MAT)	24,267	77,315	101,582		S
Sacred Heart Catholic Primary School	7,608	30,689	38,297		S
Samuel Pepys School (CCC)	54,781	209,545	264,326		S*
Sanctuary Group	36,246	591,444	627,690		Ad
Sawston Parish Council	3,268	24,450	27,718		S
Sawston VC Academy	70,198	232,375	302,573		S
Sawtry Infants School (CCC)	11,064	52,138	63,202		S*
Sawtry Junior Academy	9,045	35,844	44,889		S
Sawtry Parish Council	3,947	24,115	28,062		S
Sawtry Village Academy	36,777	123,900	160,677		S
Serco (PCC IT)	35,264	14,222	49,486		Ad
Serco Limited (PCC)	184,777	270,645	455,423		Ad
Shade Primary School (MAT)	14,359	42,522	56,881		S
Shirley Community Primary School and Pre-School (CCC)	39,223	150,647	189,870		S*
Sir Harry Smith Comm Coll (Academy)	65,913	255,595	321,508		S
Skanska	15,935	52,119	68,054		Ad
Soham Town Council	4,606	31,658	36,263		S
Soham VC Academy	78,639	266,327	344,967		S
Soke Education Trust	86,518	353,398	439,916		S
Somersham Parish Council	937	6,784	7,721		S
Somersham Primary School	15,870	61,637	77,507		S
South Cambridgeshire District Council	1,014,379	4,221,075	5,235,454		S
Southfields Primary School (PCC) (Was Southfields Junior School)	47,304	195,136	242,440		S*
Spaldwick Primary School (CCC)	8,373	33,095	41,468		S*
Spinney Primary School (CCC)	11,460	44,558	56,018		S*
Spring Common Academy	79,350	314,908	394,258		S
Spring Meadow Infants (CCC)	28,410	109,332	137,742		S*
Spurgeons	2,491	231	2,722		Ad
St Albans RC Primary (CCC)	11,645	45,611	57,257		S*



# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St Andrews CofE Academy (Soham, Ely)	24,061	98,977	123,038		S
St Anne's CE Primary (CCC)	14,500	57,417	71,917		S*
St Augustines CE Junior School (PCC)	15,534	65,397	80,932		S*
St Bedes Inter Church School (Academy)	35,287	139,944	175,231		S
St Botolphs CE Primary Academy	30,812	122,007	152,819		S
St Helen's Primary Shcool (CCC)	7,366	29,024	36,390		S*
St Ives Town Council	20,705	116,403	137,108		S
St Ivo School Academy	84,693	279,407	364,100		S
St John Fisher	48,912	187,206	236,118		S*
St John's Academy (Stanground)	12,504	54,012	66,516		S
St John's CoE Primary Academy (Huntingdon)	22,858	93,707	116,565		S
St Laurence Catholic Primary School	8,687	34,596	43,284		S
St Laurences RC Primary (CCC)	6,478	24,693	31,170	Y	S*
St Luke's C of E Primary School Academy	11,477	44,894	56,372		S
St Mary's CofE Junior Ely	25,460	102,178	127,638		S
St Marys St Neots Academy	11,458	45,725	57,183		S
St Matthew's Primary Sch (CCC)	32,225	124,457	156,682		S*
St Michaels CE Prim Sch (PCC)	29,142	122,815	151,958		S*
St Neots Town Council	41,248	233,314	274,561		S
St Pauls CE Primary (CCC)	9,263	36,389	45,651		S*
St Peters CofE Academy (Wisbech)	20,928	83,281	104,209		S
St Peter's School HD Academy	61,659	200,058	261,718		S
St Philips C OF E Primary (CCC)	19,834	76,457	96,291		S*
St Thomas More Catholic Primary School	21,180	82,343	103,523		S
St Thomas More Catholic Primary School (PCC)	11,950	50,034	61,984	Y	S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Stanground Academy (MAT)	60,766	239,116	299,882		S
Stapleford Primary Academy	14,015	53,762	67,777		S
Steeple Morden C OF E (CCC)	11,229	98,996	110,224		S*
Stephen Perse Foundation	23,129	84,399	107,528		Ad
Stilton Church of England Primary School	9,466	39,270	48,735		S
Stretham Primary School (CCC)	10,022	39,852	49,874		S*
Stukeley Meadows School (CCC)	22,496	87,829	110,326		S*
Sutton CE Primary School (CCC)	15,454	61,126	76,580		S*
Sutton Parish Council	2,196	12,435	14,631		S
Swaffham Bulbeck CE Prim Academy	5,522	22,957	28,479		S
Swaffham Internal Drainage Board	1,895	10,730	12,625		S
Swaffham Prior CE Prim Academy	12,124	28,643	40,767		S
Swavesey Parish Council	1,373	8,712	10,085		S
Swavesey Primary School (CCC)	22,877	86,641	109,518		S*
Swavesey VC Academy (MAT)	57,907	201,171	259,078		S
Tactcare	26,178	69,694	95,872	Y	Ad
Teversham C of E Primary (CCC)	15,095	59,050	74,145		S*
The Beeches Primary School (PCC)	29,242	119,133	148,375		S*
The Centre School Academy	3,445	8,652	12,097		S
The Galfrid Primary School	15,968	61,038	77,006		S
The Grove Primary School (CCC)	26,446	72,097	98,544		S*
The Harbour School (CCC)	25,256	101,030	126,286		S*
The Kings School Academy	64,708	218,976	283,684		S
The Lime Academy - Abbotsmede	21,661	88,258	109,919		S
The Lime Academy - Parnwell	15,921	67,019	82,940		S
The Lime Academy - Watergall	22,303	86,654	108,957		S
The Newton Community Primary School (CCC)	4,947	19,787	24,734		S*

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
The Pathfinder CofE Primary School	13,725	52,335	66,060		S*
The Weatheralls Primary School (Academy)	30,339	124,056	154,395		S
Thomas Clarkson C C Academy	56,154	218,889	275,043		S
Thomas Deacon Academy	173,582	572,859	746,441		S
Thomas Eaton Primary Academy	12,171	49,090	61,262		S
Thongsley Fields Primary and Nursery School	19,453	79,026	98,479		S
Thorndown Community Pri (CCC)	36,883	147,202	184,085		S*
Thorney Parish Council	950	5,817	6,767		S
Thriplow CE Primary Academy	5,278	21,856	27,134	Y	S
TNS Catering (Linton Cluster)	2,415	7,335	9,750		Ad
TNS Catering (WASP Cluster 1)	1,337	5,708	7,044	Y	Ad
TNS Catering (WASP Cluster 2)	1,919	5,052	6,970		Ad
Townley Primary School (CCC)	10,828	43,085	53,913		S*
Trumpington Meadows P. S. (CCC)	13,497	53,163	66,660		S*
Trumpington Park Primary Academy	10,689	42,309	52,998		S
TSG Building Services Ltd	9,142	17,019	26,161		Ad
Unity Academy (TBAP)	20,182	79,504	99,686		S
University of Cambridge Primary School	18,858	65,106	83,964		S
Upwood Primary Academy	7,900	32,583	40,483		S
VEROHR LTD	1,478	5,365	6,842		Ad
VHS Cleaning (Stapleford Community Primary School)	397	1,545	1,942		Ad
VHS Cleaning Services (Bassingbourn VC and Sawston VC)	3,071	11,989	15,060		Ad
VHS Cleaning Services (Bewick Bridge Community Primary School)	550	2,202	2,752		Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
VHS Cleaning Services Ltd (Netherall Academy)	-	466	466		Ad
Vine Inter Church School (CCC)	28,968	108,346	137,314		S*
VISIT Cambridge and Beyond	16,469	42,600	59,068		Ad
Vivacity Culture and Leisure	55,720	139,267	194,987		Ad
Warboys Primary Academy	17,646	72,468	90,114		S
Waterbeach CP School (CCC)	19,003	75,530	94,533		S*
Waterbeach Level Internal Drainage Board	1,850	10,470	12,320		S
Waterbeach Parish Council	3,292	18,638	21,930		S
Welbourne Primary Academy	21,407	86,472	107,879		S
Welbourne Primary School (PCC)	2,231	9,109	11,340	Y	S*
Welland Primary School (MAT)	23,871	89,412	113,283		S
West Town Primary (MAT)	17,021	68,491	85,513		S
Westfield Junior School (CCC)	21,488	84,987	106,475		S*
Westwood Primary Sch Academy	59,032	210,502	269,534		S
Wheatfields Primary School (CCC)	24,492	96,525	121,017		S*
Whittlesey Town Council	1,755	9,936	11,691		S
Wilburton CE Primary (CCC)	6,517	25,578	32,096		S*
William De Yaxley CofE Academy	10,354	40,423	50,777		S
William Law CE Primary Academy	43,796	180,196	223,992		S
William Westley CE (CCC)	9,858	38,662	48,520		S*
Willingham Primary School (CCC)	21,778	83,689	105,466		S*
Wimblington Parish Council	622	4,162	4,784		S
Winhills Primary School (Academy)	39,445	134,141	173,586		S
Wintringham Primary Academy	946	3,222	4,167		S
Wisbech and Fenland Museum	1,963	16,180	18,143		Ad
Wisbech Grammar School	1,327	11,293	12,621	Y	Ad
Wisbech St Marys CE Primary Academy	14,599	59,099	73,698		S

# Management and Financial Performance (Continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Wisbech Town Council	4,107	24,184	28,291		S
Witcham Parish Council	204	1,363	1,567		S
Witchford VC - Academy	50,277	141,987	192,263		S
Wyton Primary School (CCC)	11,997	46,248	58,245		S*
Yaxley Infants School (CCC)	11,684	46,439	58,123		S*
Yaxley Parish Council	8,401	49,824	58,224		S
YMCA Trinity Group (CCC/PCC)	1,059	2,836	3,896	Y	Ad
<b>Grand Total</b>	<b>27,710,336</b>	<b>98,760,537</b>	<b>126,470,873</b>		

# Investment Policy and Performance

## Introduction

Investment of the Fund's assets is governed by the Local Government Pension Scheme – in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"). These seek to ensure that the Fund:

- Has formulated an appropriate Investment Strategy; a copy of which is available at

## [Investment Strategy Statement](#)

- In formulating its Investment Strategy has considered and documented its approach to:
  - Risk assessment and risk management,
  - Pooling investments,
  - How environmental, social and governance issues are taken into account in investment selection,
  - Having suitably diversified investments,
- Has taken appropriate advice,
- Has an appropriate number of Investment Managers who invest fund monies on its behalf,
- Has relevant investment limits which are not exceeded,
- Regularly monitors and reviews investments and investment arrangements,
- Understands the restrictions on its powers to borrow, and
- Operates a separate bank account.

The 2016 Regulations also set out the circumstances under which the Secretary of State would issue a direction to intervene in the management of the Fund's investments.

The Pension Fund Committee (PFC) approves investment policies and strategy and has established an Investment Sub-Committee (ISC), with support from the Fund's Advisors, to implement these investment policies and strategy, which includes the appointment and dismissal of Investment Managers and monitoring of performance.

The Fund adopts a long term perspective, focussing its investment strategy to generate return on a risk adjusted basis to grow the Fund's assets to reflect its equally long term future liabilities.

The Fund's approach to Sustainable Responsible Investment (SRI) is covered in the Investment Strategy Statement (ISS), in which the PFC has delegated to Investment Managers the responsibility for any shareholder voting and engagement.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary association of LGPS funds that seeks to protect and enhance the value of its members' shareholdings by way of shareholder engagement, by action on corporate governance issues and by seeking to promote the highest standards of corporate social responsibility at the companies in which LAPFF members invest. Through LAPFF, the Fund exercises its belief that engagement with company management to promote improvements in SRI practices is more powerful than divesting from the company's shares.

The Fund supports the principles of the UK Stewardship Code (the "Stewardship Code") and will be working with the Fund's Advisors to assess the impact of the "apply and explain" Principles of the revised 2020 UK Stewardship Code.

Information about Investment Manager voting is available at [Key Documents](#)

## Role of Investment Managers

The ISS seeks to ensure that the Fund has an appropriate number of Investment Managers to invest fund monies on its behalf. Each Investment Manager relationship is governed by an Investment Management Agreement, which sets out how much they can invest, the asset class in which the Fund has employed them to invest, the expected target return and how much the Fund will pay for this service.

# Investment Policy and Performance (Continued)

Where the Fund invests in a pooled fund rather than appointing an Investment Manager to invest directly on behalf of the Fund, the terms of the investment are governed by the prospectus issued by the manager of the pooled fund, such as assets transferring over to the asset pool.

## Active focus

The Fund with the exception of the passive UK Equity and Global Equity mandate and a buy and hold strategy for index-linked bonds, favours “active” briefs to outperform agreed specific benchmarks.

## Custodian

The Fund’s Custodian is Northern Trust. The Custodian is responsible for ensuring that the Fund has good title to all investments, that all trades instructed by Investment Managers are settled on time and that all income due to the Fund is received and recorded accurately. Northern Trust also maintain the investment accounting records for the Fund.

## Asset Pooling

The Fund is working with ten like-minded LGPS funds to implement the ACCESS asset pool in response to the Government’s LGPS reform agenda. The main aim is to encourage LGPS Funds to work together to form asset pools to “pool investments to significantly reduce costs, while maintaining investment performance.” Individually, the participating funds have a strong performance history and potential for substantial benefits for a group of successful, like-minded authorities collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £44bn, managed on behalf of c3,500 employers and c1.1m members.

The roles and decision-making relationship between the eleven funds is informed by an Inter Authority Agreement. The ACCESS pool is governed by the ACCESS Joint Committee (AJC) comprising the Chairmen of the eleven constituent funds. The Joint Committee have appointed Link Fund Solutions Ltd (Link) as operator of the pool and the LF ACCESS Authorised Contractual Scheme (ACS).

The Fund’s passive equity investments were migrated in 2017/18 to UBS Asset Management under a collaborative arrangement with fellow ACCESS funds, which has generated significant fee savings for the Fund.

Cambridgeshire’s first investment into the ACCESS ACS of an actively managed global equity mandate was completed in February 2019. The remainder of the Fund’s active listed equity mandates were transitioned to global equity sub-funds of the ACS during 2019-20. This concluded the implementation of a change in strategy to disinvest from UK equity mandates and focus wholly on global equities for actively managed mandates.

The ACCESS Support Unit (ASU) has been created to manage the Operator contract against specified KPIs and provide technical and secretariat support services to the AJC and Officer Working Group (OWG).

In addition to the savings in Investment Management fees due to the reduction in manager numbers and an increase in mandate size, there are other tangible benefits from pooling including a governance dividend and tax savings for funds moving from pooled funds to segregated mandates in the pool’s tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

More information about the ACCESS asset pool can be found on their website: [ACCESS Pool](#). The ACCESS Annual Report can be found at Appendix A to the Annual Report.

## Local Investment

The Fund holds an allocation to local investments currently consisting of the Cambridge & Counties Bank, Cambridgeshire Building Society and East of England Development Fund managed by Foresight. These assets will remain outside of the asset pool.

In addition the Fund will not pool cash held for the efficient administration of the scheme, which is needed to manage cash flow to meet statutory liabilities including monthly pension payroll payments.

# Investment Policy and Performance (Continued)

## The Costs of Pooling

The costs of the pool are collected by a nominated ACCESS authority and re-charged in equal shares to the eleven ACCESS funds. Cambridgeshire's share of costs is reported within Oversight and Governance Costs in Note 12 to the Statement of Accounts and comprises the following:

Operational Costs	2019-20	2015-16 to 2019-20 Cumulative
	£000	£000
Strategic & Technical	17.1	102.6
Legal	16.5	83.6
Project Management	4.0	81.1
ACCESS Support Unit	34.9	80.9
Other	1.3	22.8
<b>Total Operational Costs</b>	<b>73.8</b>	<b>371.0</b>

## Cost Savings

The combined fee savings for the 2019-20 financial year resulting from the asset pooling agenda exceed £1.1m per annum, mainly resulting from the passive mandate.

## Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2019-20 between expenses incurred in respect of Pooled Assets held in the ACCESS Pool and those assets held outside of the pool. Direct costs include: invoiced costs and costs deducted from the value of fund, or from income generated, in accordance with the fee agreement in place with each manager and explicit transaction costs. Indirect costs include: implicit costs and third party fees and charges. These are indicative estimates provided by Investment Managers as the reporting practices for the Cost of Transparency are still evolving.

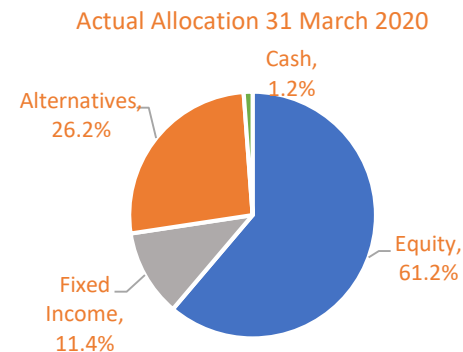
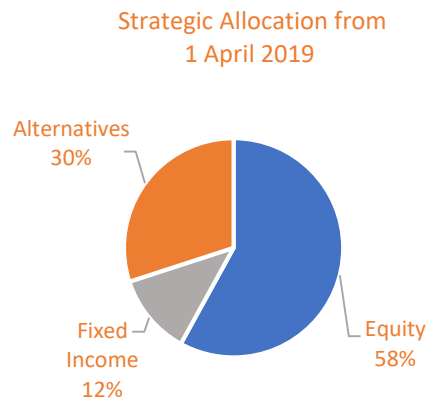
	Asset Pool			Non- Asset Pool			Fund Total
	Direct £000	Indirect £000	Total £000	Direct £000	Indirect £000	Total £000	£000
Investment Management Fee	6,768	177	6,945	6,763	1,860	8,623	15,568
Performance Fee	-	-	-	1,365	-	1,365	1,365
Transaction taxes	-	-	-	105	-	105	105
Broker commissions	35	-	35	121	-	121	156
Other explicit costs	9	-	9	694	-	694	703
Implicit/indirect transaction costs	-	2,928	2,928	-	2,150	2,150	5,078
Administration	62	-	62	210	442	652	714
Governance and Compliance	10	-	10	124	687	811	821
Other	-	1	1	447	343	790	791
<b>Total</b>	<b>6,884</b>	<b>3,106</b>	<b>9,990</b>	<b>9,829</b>	<b>5,482</b>	<b>15,311</b>	<b>25,301</b>

# Investment Policy and Performance (Continued)

## Investment Allocation and Performance

The Investment Strategy Statement approved by the Pension Fund Committee in March 2019 has the objective of reducing the Fund's reliance upon, and the associated risks, of a large allocation to equities whilst retaining sufficient exposure to growth assets. The strategy focuses on a reduction in equities and an increase in alternative assets (such as Private Equity and Infrastructure) and a flexible allocation to fixed income. The ISC also implemented a risk management framework to manage equity market and asset liability risks the appointed manager was River & Mercantile. Any consequential changes to Investment Manager mandates will be implemented in conjunction with the roll-out of sub-funds offered by the ACCESS pool ACS.

The charts below show the Strategic Asset Allocation at the start and close of the financial year compared to the actual allocation of assets at 31 March 2020 and the Strategic Asset Allocation targeted for 2019-20.



# Investment Policy and Performance (Continued)

The value of the investments held by each of the Fund's Investment Managers on 31 March 2019 and 31 March 2020 is shown in the following table.

## Value of investments at the balance sheet date

Manager	31 March 2019		31 March 2020	
	£m	% of Total	£m	% of Total
UBS Passive UK Equity	70.0	2.2	73.1	2.5
Schroders UK Equity	389.3	12.3	-	-
JO Hambro	524.8	16.5	-	-
Link Fund Solutions – ACCESS Global Equity (JO Hambro)	-	-	386.3	13.0
Link Fund Solutions - ACCESS Global Stock	498.8	15.7	316.6	10.6
Link Fund Solutions – ACCESS Global Equity (Longview)	-	-	266.4	8.9
River & Mercantile	-	-	36.9	1.2
UBS Passive Global Equity	695.0	21.9	780.4	26.2
River & Mercantile	-	-	155.4	5.2
Schroders Bonds	315.4	10.0	148.6	5.0
Schroders Property	242.0	7.6	225.0	7.6
Adams Street	80.5	2.5	86.9	3.0
Allianz	12.4	0.4	19.2	0.6
AMP debt	19.2	0.6	41.0	1.4
Cambridge and Counties Bank	81.1	2.6	58.0	1.9
Cambridge Building Society	15.0	0.5	15.0	0.5
Foresight	-	-	4.9	0.2
Equitix	33.3	1.0	37.2	1.2
HarbourVest	58.5	1.8	69.4	2.3
IFM Infrastructure	-	-	60.9	2.0
M&G	70.7	2.2	110.4	3.7
Partners Group	37.4	1.2	39.3	1.3
UBS Infrastructure	16.7	0.5	14.0	0.5
Cash	17.2	0.5	34.7	1.2
<b>TOTAL</b>	<b>3,177.3</b>	<b>100</b>	<b>2,979.6</b>	<b>100</b>

The table above excludes new commitment to the Alternatives allocation in infrastructure equity funds managed by JP Morgan for which no funds had been called by 31 March 2020. During 2019-20 the initial cash calls were made in connection with commitments to IFM Infrastructure and Foresight who run the East of England Development Fund.



# Investment Policy and Performance (Continued)

## Total Fund Performance

The total investment return for the Fund over the financial year was -5.7% compared with a weighted benchmark return of -3.3%. In the previous year the total investment return was 7.1% compared with a weighted benchmark of 8.9%. The Fund's total investment return was 1.4% p.a over the three years to 31 March 2020, 4.9% p.a over the five years to 31 March 2020, and 6.5% per annum over the ten years to 31 March 2020.

## Performance of Managers

The ISC continue to monitor the Investment Managers' performance against their benchmark at their quarterly meetings. All managers are measured against market-based performance benchmarks with bespoke outperformance targets set for active managers which are expected to be met over a three to five year period. Net of fees performance of each manager compared to benchmark over one, three and ten years is shown in the table below.

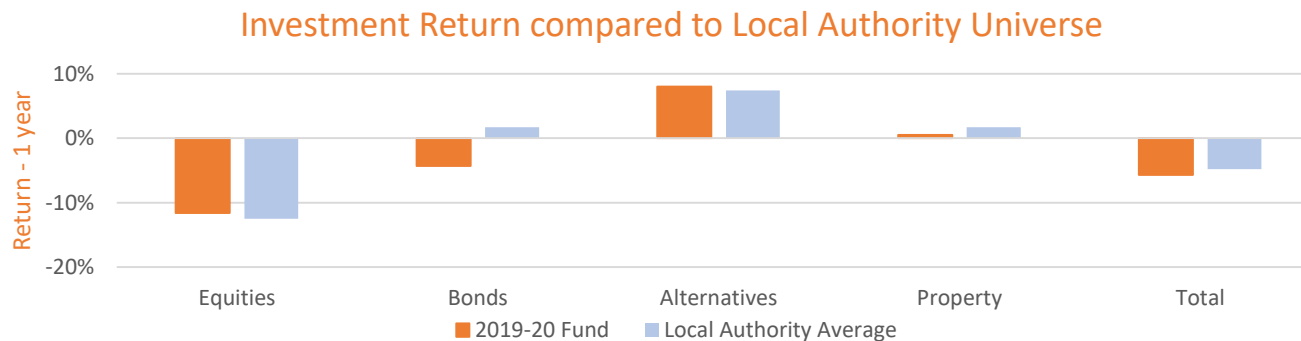
Asset Class /Manager		1 year (% p.a)			3 year (% p.a)			10 year (% p.a)		
		Return	Benchmark	Variance	Return	Benchmark	Variance	Return	Benchmark	Variance
UBS	UBS Passive	(6.9)	(7.0)	0.1	n/a	n/a	n/a	n/a	n/a	n/a
	J O Hambro	(3.3)	(6.7)	3.4	4.7	1.8	2.9	n/a	n/a	n/a
	Dodge & Cox	(18.6)	(5.8)	(12.8)	(5.6)	2.2	(7.8)	n/a	n/a	n/a
Schroders	Schroders Bonds	(10.7)	0.7	(11.4)	(4.1)	0.5	(4.6)	n/a	n/a	n/a
	M&G Secured Loans	(8.2)	5.0	(13.2)	(1.1)	4.8	(5.9)	n/a	n/a	n/a
M&G	Schroders Property	0.1	0.0	0.1	5.1	4.8	0.3	6.4	7.1	(0.7)
	M&G Residential Property	2.7	6.0	(3.3)	n/a	n/a	n/a	n/a	n/a	n/a
	Adams Street	16.7	(5.3)	22.0	14.4	2.8	11.6	n/a	n/a	n/a
	Allianz	5.4	4.0	1.4	n/a	n/a	n/a	n/a	n/a	n/a
	AMP debt	3.1	10.0	(6.9)	n/a	n/a	n/a	n/a	n/a	n/a
	Equitix	10.5	10.0	0.5	12.1	10.0	2.1	n/a	n/a	n/a
	HarbourVest	12.5	(5.3)	17.8	13.4	2.8	10.6	n/a	n/a	n/a
	Partners Group	9.3	10.0	(0.7)	12.2	10.0	2.2	n/a	n/a	n/a
UBS	UBS Infrastructure	5.8	10.0	(4.2)	4.5	10.0	(5.5)	n/a	n/a	n/a

# Investment Policy and Performance (Continued)

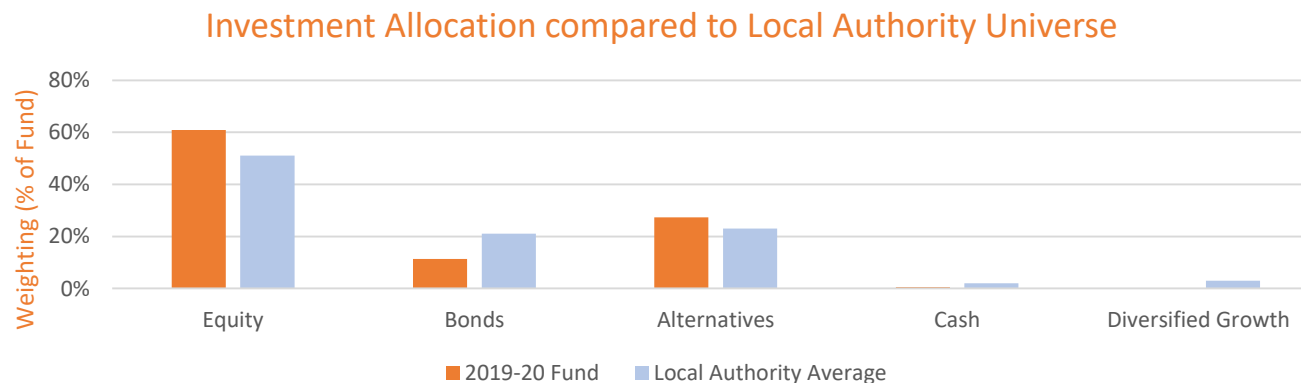
## Performance in Comparison with Local Authority Universe

The Local Authority Universe is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance.

In 2019-20 the Fund's performance of -5.7% over the financial year was ranked 67<sup>th</sup> percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of Equities, when compared to the Local Authority Universe.

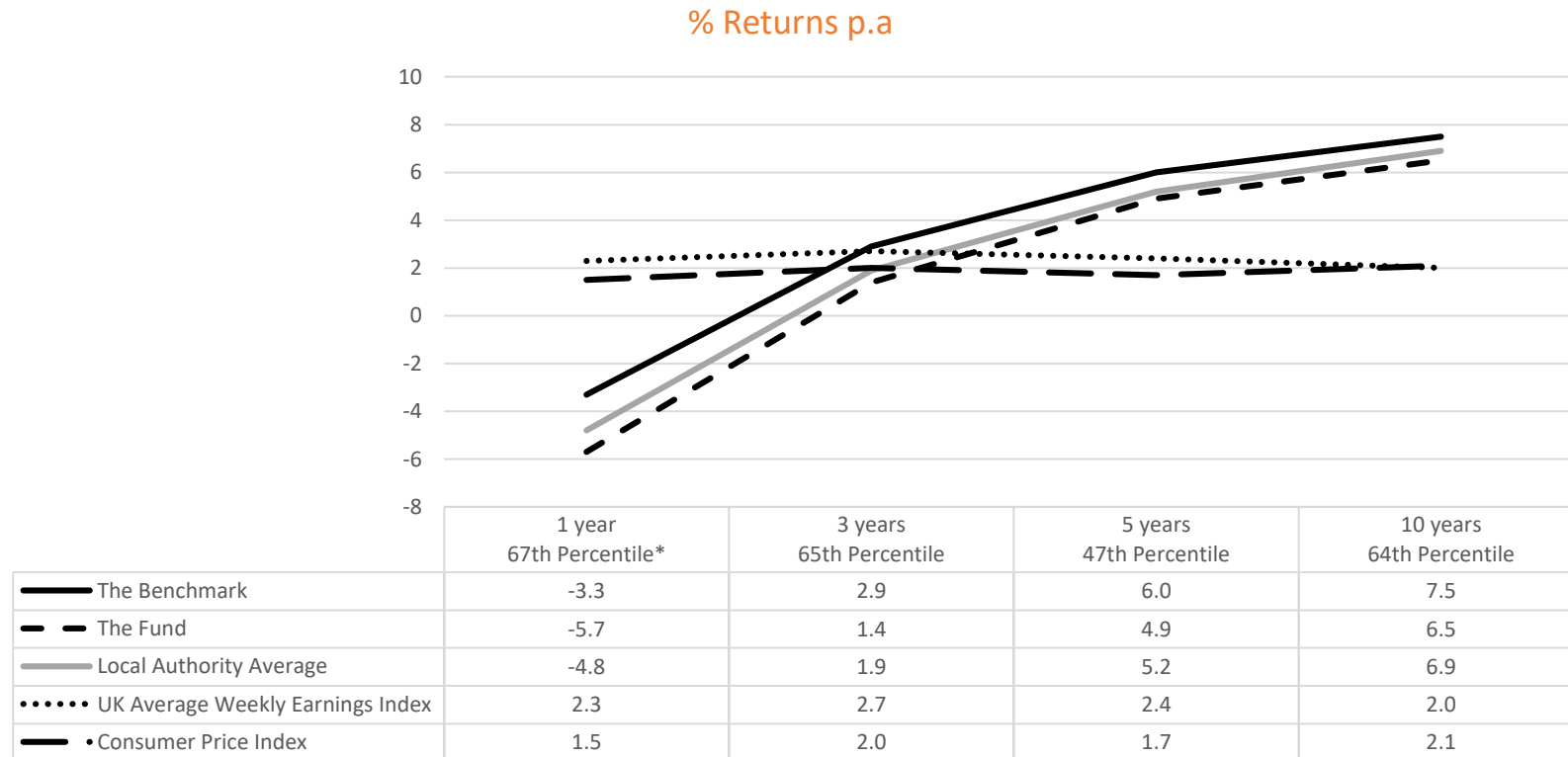


The Fund's current strategy has a higher allocation to Equities and Alternatives and a lower allocation to Bonds when compared to the Local Authority Universe.



# Investment Policy and Performance (Continued)

The table below demonstrates the Fund's performance compared to benchmark returns and the average investment return achieved by the Local Authority Universe over a one, three, five and ten year period.



\*Ranking in LA Universe

# Investment Policy and Performance (Continued)

## Annual Investment Review 2019 - 20 Economic and Market Background

Over 2019, the global economy continued its expansion, led by the US which saw a tightening labour market, rising wages and consumer confidence, fuelled by the business-friendly stance of the Trump administration even though trade tensions took some toll on business confidence. Japan, the UK and continental Europe saw more measured growth even though economic data from continental Europe over the year has been hinting at a continued slowdown. In the UK, the outcome of the 2019 election was well received by markets, though uncertainty over how Brexit proceedings will unfold still remains. Headwinds for emerging markets began to soften in early 2019, with improvement on the trade front.

In Q1 2020, however, the global economy entered what is expected to be the most severe downturn since the Great Depression while oil prices crashed simultaneously as a price war between Russia and Saudi Arabia escalated while global demand collapsed simultaneously.

The COVID-19 pandemic which originated in China in December 2019 started to spread globally from the second half of the first quarter of 2020 prompted governments to shut down entire countries including the US, UK and most of Europe. The abrupt halt in business activities and collapse in corporate earnings prompted investors to flee equity markets and shift into safe haven assets with the result being the worst equity sell-off since 2008 even though sterling weakening against US Dollar offset losses somewhat for unhedged UK investors.

Unprecedented monetary easing measures were then initiated across the globe with the Bank of England cutting the benchmark rate to 0.1% on 19 March 2020 and reinitiating quantitative easing, lead to a government bond rally in the first quarter of 2020 as yields fell to the lowest level in history across the globe. Fiscal programmes not seen since World War II also cushioned the blow somewhat.

### Unemployment

US unemployment projections at March 2020 suggest unemployment numbers rising from c. 4% to anywhere between 8 – 14% in Q2 2020.

### Interest Rates

In March 2020 the Bank of England lowered the base interest rate to 0.10% while the Federal Reserve lowered the US base rate to 0 – 0.25%

### Inflation

CPI Inflation fell to 1.5% in March according to the ONS driven by a reduction in consumer spending and the oil price collapse

All return figures quoted below are in sterling terms over the 12-month period to 31 March 2020.

## Key Events during the Year

### Growth Assets

At a global level, developed markets as measured by the FTSE World index, returned -6.0%. Meanwhile, a return of -13.0% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned -8.0% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned -18.5%. The FTSE USA index returned -2.3% while the FTSE Japan index returned -2.1%. The considerable underperformance of UK equities is attributed to the index's large exposure to oil, gas and basic materials.

UK Property saw moderate returns relative to other risk assets over 2019 but the market was severely impacted by the Covid-19 crisis in March 2020, with heightened market volatility leading to material uncertainty clauses being added to valuations at the date this report is written, hence performance is only available to 31 December. Over the 12-month period to 31 December 2019, the IPD UK All Property Index returned 2.11%. The three main sectors of the UK Property market, recorded positive returns with one negative over the period (retail: -6.4%; office: 5.0%; and; industrial 7.2%).

Statistics sourced from Thomson Reuters Datastream unless otherwise specified

# Investment Policy and Performance (Continued)

## Bond Markets

UK Government Bonds as measured by the FTSE Gilts All Stocks Index, returned 9.9%, while long dated issues as measured by the corresponding Over 15 Year Index had a return of 17.6% over the year as the longer end of the nominal yield curve fell by more than the shorter end. The yield for the FTSE Gilts All Stocks index fell over the year from 1.4% to 0.7% while the Over 15 Year index yield fell from 1.5% to 0.8%.

The FTSE All Stocks Index -Linked Gilts index returned 2.2% with the corresponding over 15-year index exhibiting a return of 2.0%. Falling inflation expectations offset falling nominal yields to an extent, cushioning the fall of real yields somewhat which explains the underperformance of index-linked gilts relative to nominal gilts.

Corporate debt as measured by the Bank of America Merrill Lynch Sterling Non-Gilts index returned 1.7%.

## Currencies

Over the 12-month period to 31 March 2020, sterling depreciated by 4.8% against the US Dollar from \$1.30 to \$1.24, depreciated by 7.2% against the Yen from ¥144.23 to ¥133.86 and depreciated against the Euro by 2.6% from €1.16 to €1.13.

## Fund Performance

Over the twelve-month period, the Fund achieved a negative return of -5.7% (net of fees) versus the strategic benchmark return of -3.3% and the target return set at the date of the 2019 actuarial valuation of 4.1%. Of the active managers JO Hambro Global Equity, Schroders Property, Adams Street and Harbourvest Private Equity and Equitix Infrastructure outperformed their respective benchmarks over the year period, while the other funds underperformed.

## Outlook

Markets went through the most devastating quarter since the end of 2008 and for some asset classes, volatility and losses even went beyond what was seen back in the global financial crisis.

Global economic growth collapsed over the quarter following lockdown measures being implemented across the globe. Whilst the manufacturing downturn started much earlier on, as China's lockdown began to impact global supply chains, an even more severe services downturn ensued when lockdown measures became global and forced many retail oriented companies to cease operations. Consumers were already retrenching as unemployment started to rise, even though many countries are cushioning the blow via income substitution and government-funded furlough programs.

In spite of some progress last year, there are still risks on the trade front that pose further risks for growth once the world has emerged from this pandemic. Brexit negotiations have slowed but need to be finalized by year end before the transition period ends. The US - China relationship is likely to deteriorate over COVID-19 which makes further trade deals harder and Italy's fiscal situation has deteriorated considerably over this crisis which could lead to renewed political confrontations with the EU in the aftermath of the pandemic.

On a more positive side, unlike in 2008, government and central bank response to the crisis has been swift and meaningful. The COVID-19 situation is treated as a natural disaster so there were less political concerns about bailouts. The Federal Reserve and other central banks have cut interest rates back to record lows and reinitiated quantitative easing as it has never been seen before. Fiscal deficits have reached levels reminiscent to those during the world wars. While these measures cannot tackle the pandemic itself, they are seen as a means to freeze the economy and keep both businesses and consumers alive in order to be in a good position for a strong recovery rather than falling into a long lasting depression.

Taken together, the macro and earnings environment is as challenging as it could ever be. We see this year ending with negative growth but assuming the second wave we are currently experiencing in large parts of the developed world does not lead to additional sustained lockdowns (and hence further economic hardship), we still see growth returning to pre-covid levels towards the second half of 2021 and the global economy returning to where it would have been had the virus never hit in late 2022. However, there are significant risks to that assertion and the economic outlook remains highly uncertain

# Investment Policy and Performance (Continued)

From an asset perspective we acknowledge that equity valuations have improved and have therefore become slightly more positive on the margin, although we remain cautious. Within growth fixed income we are positive given the widening of spreads in these sectors to levels not seen since the Global Financial Crisis and we are broadly neutral on defensive fixed income.

## Investment Strategy

The Fund's strategic benchmark is allocated across a diverse range of asset classes expected in aggregate to generate a return above the growth in the Fund's liabilities, and improve the funding level, over the long term, whilst the same time helping to ensure contribution rates remain stable and affordable.

The Fund holds a material part of the assets (c. 58%) in the equity portfolio allocation which is held with the expectation of generating strong real returns above that of the Fund's liabilities. However, the Fund has also implemented an equity protection mandate that provides some protection against material falls in equity markets (such as those shown in Q1 2020), thereby helping to stabilise the funding level.

The Fund holds a defensive portfolio (made up of bond investments) and an alternatives portfolio which aims to achieve strong real returns whilst also providing the Fund with some diversification away from equity markets.

The Committee continue to monitor the investment strategy relative to the funding level and look to improve the efficiency of the portfolio where possible. Whilst the covid-19 crisis has introduced some uncertainty, post year-end the Committee have already begun work on evolving the Fund's fixed income portfolio for example, to target more attractive and diversified areas of the credit market, in order to further future proof the portfolio.

**Peter Gent, FIA**  
**Mercer Limited**  
**May 2020**

# Actuarial Information

## Cambridgeshire Pension Fund (“the Fund”) Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years.

Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme

Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £3,193 million, were sufficient to meet 100% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £11 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

# Actuarial Information (Continued)

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.1%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.0 years
Future Pensioners*	22.7 years	25.5 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy FFA  
28 April 2020  
For and on behalf of Hymans Robertson LLP



# Actuarial Information (Continued)

## Extract from the Actuarial Valuation Report

### Executive Summary

We have carried out an actuarial valuation of the Cambridgeshire Pension Fund ("the Fund") as at 31 March 2019. The results are presented in this report and are briefly summarized below.

### Funding Position

The table below summarizes the financial position of the Fund at 31 March 2019 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2016).

Valuation Date	31 March 2016 (£m)	31 March 2019 (£m)
Past Service Liabilities	2,902	3,204
Market Value of Assets	2,277	3,193
Surplus/(Deficit)	(625)	(11)
Funding Level	78%	100%

The improvement in funding position between 2016 and 2019 is mainly due to strong investment performance over the inter-valuation period, coupled with the positive impact on the liabilities of actual pay and benefit growth being lower than expected.

### Contribution Rates

The table below summarizes the whole fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalization of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay)	Secondary Rate (£)		
1 April 20 – 31 March 23	2020/21	2021/22	2022/23
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate also includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2020 to 31 March 2023 are shown in the Rates and Adjustment Certificate.



Douglas Green FFA



Robert McInroy FFA

15 March 2020

For and on behalf of Hymans Robertson LLP

# Audit Opinion

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# Audit Opinion (Continued)

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# Audit Opinion (Continued)

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# Fund Account

31-Mar-19 £000	Notes	31-Mar-20 £000
<b>Dealings with members, employers and others directly involved in the fund:</b>		
124,572 Contributions	7	126,471
4,882 Transfers in from other pension funds	8	6,704
<b>129,454</b>		<b>133,175</b>
(106,259) Benefits	9	(107,863)
(11,171) Payments to and on account of leavers	10	(10,119)
<b>(117,430)</b>		<b>(117,982)</b>
<b>12,024</b> Net additions/(withdrawals) from dealing with members		<b>15,193</b>
(16,889) Management Expenses	11	(19,004)
<b>(4,865)</b> Net additions/(withdrawals) including fund management expenses		<b>(3,811)</b>
<b>Returns on investments:</b>		
45,493 Investment income	13	34,447
(85) Taxes on income		(2)
182,745 Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	(225,559)
<b>228,153</b> Net return on investments		<b>(191,114)</b>
<b>223,288</b> Net increase/(decrease) in the net assets available for benefits during the year		<b>(194,925)</b>
2,969,306 Opening net assets of the scheme		3,192,594
<b>3,192,594</b> Closing net assets of the scheme		<b>2,997,669</b>

Notes on pages 49 to 80 form part of the financial statements.

# Net Asset Statement

31-Mar-19			31-Mar-20
£000		Notes	£000
3,177,716	Investment assets		3,081,595
(345)	Investment liabilities		(101,964)
<b>3,177,371</b>	<b>Total net investments</b>	14	<b>2,979,631</b>
18,068	Current assets	21	27,209
(3,477)	Current liabilities	22	(9,171)
<b>14,591</b>	<b>Net Current Assets</b>		<b>18,038</b>
632	Non-current assets		-
<b>3,192,594</b>	<b>Net assets of the Fund available to fund benefits at the end of the reporting period</b>	17a	<b>2,997,669</b>

Notes on pages 49 to 80 form part of the financial statements.

Note: The Fund's financial statements do not take account of the liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

# Notes to the Pension Fund Accounts

## 1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2019-20 on pages 1 to 46 and the underlying statutory powers underpinning the scheme.

### General

The Fund is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Cambridgeshire County Council to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area. Teachers, Police Officers and Firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2020 there are 197 (2019: 254) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-19	31-Mar-20
<b>Number of employers with active members</b>	254	197

The Fund has over 85,000 individual members, as detailed below:

<b>Number of employees in scheme:</b>	<b>31-Mar-19</b>	<b>31-Mar-20</b>
County council	9,829	10,550
Other employers	19,147	19,872
<b>Total</b>	<b>28,976</b>	<b>30,422</b>

<b>Number of Pensioners:</b>		
County council	8,410	8,724
Other employers	10,365	10,916
<b>Total</b>	<b>18,775</b>	<b>19,640</b>

<b>Deferred pensioners:</b>		
County council	12,719	13,473
Other employers	14,940	15,986
<b>Total</b>	<b>27,659</b>	<b>29,459</b>

<b>Undecided Leavers:</b>		
County council	3,233	2,400
Other employers	4,266	3,844
<b>Total</b>	<b>7,499</b>	<b>6,244</b>

<b>Total members</b>	<b>82,909</b>	<b>85,765</b>
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# Notes to the Pension Fund Accounts (continued)

## Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers' contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 1 April 2008 to 31 March 2014
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

## Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of  $1/49$ th or  $1/98$ th for those members who have taken up the 50/50 option and pay proportionately lower contributions. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED. The Full Guide can also be found in the member section on the Pension's Fund website.

[LGSS Pensions Member Detail's](#)



# Notes to the Pension Fund Accounts (continued)

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019-20.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20. The Accounts have been prepared on a going concern basis.

The Funding Level as per the recent triennial valuation exercise (March 2019) was 99.7%. The Funding Level as March 2020 was 89.6% which has been calculated with all the market volatility which occurred in March included.

The investment return target as per the Funding Valuation Statement is 4.1%. The quarterly investment return for June 2020 was 11.4% and the Fund value had increased to £3.238 billion, meaning the funding level had increased to 90.6%.

There are 460 active employers as at March 2020. All employers are paying their contributions as per the rates and adjustment certificate. No employer has asked to defer their payments.

The Pension Fund has an allocation of 64.7% to equities and 10.2% to Bonds, with £99 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £186.5 million which significantly exceeds the annual expenditure of the fund.

# Notes to the Pension Fund Accounts (continued)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund Account – Revenue Recognition

#### Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for on a cash basis.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8). Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### Investment Income

#### *i) Interest income*

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

#### *ii) Dividend income*

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

#### *iii) Distributions from pooled funds*

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

#### *iv) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

#### Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

# Notes to the Pension Fund Accounts (continued)

## Fund Account – Expense Items

### Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities and paid in the following month.

### Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

### Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

### Administrative Expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

### Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis.

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

## Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

Fees of external Investment Managers and the Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2019-20, £406k of fees are based upon such estimates (2018-19: £1.6m). In addition, manager fees deducted from pooled funds of £10.6m (2018-19: £7.2m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

# Notes to the Pension Fund Accounts (continued)

## Net Assets Statement

### Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for assets held at amortised cost.

Assets held at amortised cost includes contributions owing from employers and cash deposits. These are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

Investment assets, other than cash held by Investment Managers on the Fund's behalf, are initially recognised at fair value and are subsequently measured at fair value with gains and losses recognised in the Fund Account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 15).

### Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### Financial Liabilities

The Fund initially recognises financial liabilities at fair value and subsequently measures them at amortised cost. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

### Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

### Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund's AVC providers are Prudential and Utmost Life. AVCs are deducted from the individual member's pay and paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (see Note 23).

# Notes to the Pension Fund Accounts (continued)

## Contingent Assets and Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of a narrative in the notes.

## Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019 – 20 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

## 4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

### Pension Fund Liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimated liability is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant Investment Management policies, for example in terms of the balance struck between longer term investment growth and short-term investment yield/return.

## 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year.

Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Financial Statements as 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Actuarial Present Value of Promised Retirement Benefits Uncertainties:**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in Note 20.

- **Effect if Actual Results Differ from Assumptions:**

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £443 million. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33 million, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

# Notes to the Pension Fund Accounts (continued)

- **Cambridge and Counties Bank**

**Uncertainties:** Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. The Pension Fund has appointed an independent, professional valuer to advise a suitable valuation. The Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

**Effect if actual results differ from assumptions:** The investment in the financial statements is £58m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £56.6m to £59.4m. The mid-point of this valuation range has been applied within the Fund's accounts.

- **Other Private Equity and Infrastructure**

**Uncertainties:** All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. There is a higher level of uncertainty for Private Equity as a result of the Covid-19 pandemic. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond. See Note 16a.

**Effect if actual results differ from assumptions:** Private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £442.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.2%, which indicates that other private equity and infrastructure values may range from £545.5m to £340.1m.

- **Pooled Property Fund**

The outbreak of COVID-19, declared as a Global Pandemic on 11 March 2020 by the World Health Organization, has severely impacted global financial markets. This has triggered a period of 'material valuation uncertainty' as per the RICS Red Book Global Edition and consequently a higher degree of caution should be attached to valuations supporting the unit price of the pooled property fund.

At this time it is not possible to accurately predict the scale of the impact of COVID-19 on the economy and as a result the 2019 - 2020 Pooled Property valuations have been based on information prior to the outbreak, on the assumption that the values will be restored once property markets resume.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, there has been a recovery in the markets following the Covid-19 pandemic however there is continuing volatility in the market. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

## 7. CONTRIBUTIONS RECEIVABLE

### By Category:

31-Mar-19	31-Mar-20
£000	£000
26,427	27,710
<b>Employees' contributions</b>	
<b>Employers' contributions:</b>	
84,341	86,404
13,804	12,357
98,145	98,761
<b>Total employers' contributions</b>	
124,572	126,471

### By Authority:

31-Mar-19	31-Mar-20
£000	£000
27,027	27,237
91,122	92,321
6,423	6,913
124,572	126,471

# Notes to the Pension Fund Accounts (continued)

## 8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-19	31-Mar-20
£000	£000
4,882 Individual transfers	6,704
- Group transfers	-
<b>4,882</b>	<b>6,704</b>

## 9. BENEFITS PAYABLE

### By category:

31-Mar-19	31-Mar-20
£000	£000
84,204 Pensions	88,520
19,244 Commutation and lump sum retirement benefits	16,162
2,811 Lump sum death benefits	3,181
<b>106,259</b>	<b>107,863</b>

### By authority:

31-Mar-19	31-Mar-20
£000	£000
36,750 Administering Authority	35,395
60,117 Scheduled Bodies	63,221
9,392 Admitted Bodies	9,247
<b>106,259</b>	<b>107,863</b>

## 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-19	31-Mar-20
£000	£000
400 Refunds to members leaving service	248
4,732 Group transfers	-
6,039 Individual transfers	9,871
<b>11,171</b>	<b>10,119</b>

## 11. MANAGEMENT EXPENSES

31-Mar-19	31-Mar-20
£000	£000
2,018 Administrative costs	3,415
14,544 Investment management expenses	14,673
327 Oversight and governance costs*	916
<b>16,889</b>	<b>19,004</b>

\*Fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2018-19 £17k). Administration expenses have increase during the year due to expenditure relating to 2018-19 being paid in 2019-20

## 12. INVESTMENT MANAGEMENT EXPENSES

31-Mar-19	31-Mar-20
£000	£000
11,904 Management fees	12,199
1,068 Performance related management fees	1,175
606 Transaction costs	456
966 Other costs	843
<b>14,544</b>	<b>14,673</b>

## 13. INVESTMENT INCOME

31-Mar-19	31-Mar-20
£000	£000
424 Income from bonds	494
18,775 Income from equities	14,865
14,461 Pooled investments – unit trusts and other managed funds	4,807
7,277 Pooled Property Investments	8,000
4,001 Private equity/infrastructure income	5,649
360 Interest on cash deposits	561
195 Other – securities lending income	71
<b>45,493</b>	<b>34,447</b>

# Notes to the Pension Fund Accounts (continued)

## 14. INVESTMENTS

31-Mar-19		31-Mar-20
£000		£000
<b>Investment assets</b>		
79,206	Bonds	155,686
377,322	Equities	1
2,086,961	Pooled investments	2,029,182
236,858	Pooled property investments*	225,063
363,874	Private equity/infrastructure	500,810
27,593	Cash deposits	31,585
	- Derivatives Contracts: Options	138,546
3,992	Investment income due	722
1,910	Amounts receivable for sales	-
<b>3,177,716</b>	<b>Total investment assets</b>	<b>3,081,595</b>
<b>Investment liabilities</b>		
	- Derivatives Contracts: Options	(101,964)
(345)	Amounts payable for purchases	-
<b>(345)</b>	<b>Total investment liabilities</b>	<b>(101,964)</b>
<b>3,177,371</b>	<b>Net investment assets</b>	<b>2,979,631</b>

\*In relation to Pooled Property, the outbreak of COVID-19, declared as a Global Pandemic on 11 March 2020 by the World Health Organisation, has severely impacted global financial markets. This has triggered a period of 'material valuation uncertainty' as per the RICS Red Book Global Edition and consequently a higher degree of caution should be attached to valuations (As set out in Note 5) which underpin the unit price of this pooled property fund.



# Notes to the Pension Fund Accounts (continued)

## 14(a). RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-19	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Bonds	79,206	76,002	(1,127)	1,605	155,686
Equities	377,322	589,073	(928,370)	(38,024)	1
Pooled investments	2,086,961	521,533	(353,894)	(225,418)	2,029,182
Pooled property investments	236,858	11,362	(16,219)	(6,938)	225,063
Private equity/infrastructure	363,874	175,160	(43,927)	5,703	500,810
	<b>3,144,221</b>	<b>1,373,130</b>	<b>(1,343,537)</b>	<b>(263,072)</b>	<b>2,910,742</b>
<b>Derivative contracts:</b>					
• Forward Currency Contracts	-	3,846	(316)	(3,530)	-
• Purchased/written options	-	-	-	36,582	36,582
	<b>3,144,221</b>	<b>1,376,976</b>	<b>(1,343,853)</b>	<b>(230,020)</b>	<b>2,947,324</b>
<b>Other investment balances:*</b>					
• Cash deposits	27,593			4,301	31,585
• Investment income due	3,992			-	722
• Amount receivable for sales	1,910			-	-
• Spot FX contracts	-			160	-
• Amounts payable for purchases of investments	(345)			-	-
<b>Net investment assets*</b>	<b>3,177,371</b>			<b>(225,559)</b>	<b>2,979,631</b>

\* Other investment balances and Net investment assets do not add across as purchases, sales and other movements (£0.8m) are not disclosed here, in accordance with CIPFA guidance

# Notes to the Pension Fund Accounts (continued)

## 14(a) RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-18	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-19
	£000	£000	£000	£000	£000
Bonds	74,578	702	-	3,926	79,206
Equities	371,765	66,282	(63,531)	2,806	377,322
Pooled investments	1,953,899	1,310,227	(1,316,014)	138,849	2,086,961
Pooled property investments	206,671	45,324	(21,495)	6,358	236,858
Private equity/infrastructure	274,393	95,027	(35,645)	30,099	363,874
	<b>2,881,306</b>	<b>1,517,562</b>	<b>(1,436,685)</b>	<b>182,038</b>	<b>3,144,221</b>
<b>Derivative contracts:</b>					
• Forward Currency Contracts	-	6	(15)	9	-
	<b>2,881,306</b>	<b>1,517,568</b>	<b>(1,436,700)</b>	<b>182,047</b>	<b>3,144,221</b>
<b>Other investment balances:*</b>					
• Cash deposits	31,191			723	27,593
• Investment income due	3,535			-	3,992
• Amount receivable for sales	-			-	1,910
• Spot FX contracts	-			(25)	-
• Amounts payable for purchases of investments	-			-	(345)
<b>Net investment assets*</b>	<b>2,916,032</b>			<b>182,745</b>	<b>3,177,371</b>

\* Other Investment balances and Net investment assets do not add across as purchases, sales and other movements (£1.6m) are not disclosed here, in accordance with CIPFA guidance.

# Notes to the Pension Fund Accounts (continued)

## 14(b). ANALYSIS OF INVESTMENTS

31-Mar-19 £000		31-Mar-20 £000
<b>Bonds</b>		
<b>79,206</b>	<b>UK - Public sector quoted</b>	155,686
<b>79,206</b>		<b>155,686</b>
<b>Equities</b>		
357,667	<b>UK - Quoted</b>	1
19,655	<b>Overseas - Quoted</b>	-
<b>377,322</b>		<b>1</b>
<b>Pooled funds – additional analysis</b>		
70,173	<b>UK - Fixed income</b>	-
70,343	<b>UK - Equity</b>	73,090
226,543	<b>Overseas - Fixed income</b>	203,953
1,718,324	<b>Overseas - Equity</b>	1,749,717
1,578	<b>Overseas - Cash Fund</b>	2,422
<b>2,086,961</b>		<b>2,029,182</b>
236,858	Pooled property investments	225,063
363,874	Private equity/ infrastructure	500,810
<b>600,732</b>		<b>725,873</b>
27,593	Cash deposits	31,585
3,992	Investment income due	722
-	Derivative assets	138,546
1,910	Amounts receivable from sales	-
<b>33,495</b>		<b>170,853</b>
<b>3,177,716</b>	<b>Total investment assets</b>	<b>3,081,595</b>
<b>Investment liabilities</b>		
(345)	Amounts payable for purchases	-
-	Derivative liabilities	(101,964)
<b>(345)</b>	<b>Total investment liabilities</b>	<b>(101,964)</b>
<b>3,177,371</b>	<b>Net investment assets</b>	<b>2,979,631</b>

# Notes to the Pension Fund Accounts (continued)

## 14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-19			Market value 31-Mar-20		
£000	% of net investment assets		£000	% of net investment assets	
<b>Investments managed under Pool Governance:</b>					
498,776	15.7	Link Fund Solutions	969,299	32.5	
765,050	24.1	UBS Global Asset Management	853,507	28.6	
<b>1,263,826</b>	<b>39.8</b>	<b>Total Investments managed under Pool Governance</b>	<b>1,822,806</b>	<b>61.1</b>	
<b>Investments managed outside Pool Governance:</b>					
80,458	2.5	Adams Street Partners	86,935	2.9	
12,447	0.4	Allianz Global Investors	19,193	0.6	
19,209	0.6	AMP Capital	40,979	1.4	
81,100	2.6	Cambridge and Counties Bank	58,000	2.0	
14,913	0.5	Cambridge Building Society	15,000	0.5	
33,341	1.0	Equitix Investment Management	37,172	1.2	
-	-	Foresight Group	4,928	0.2	
58,546	1.8	HarbourVest Partners (UK)	69,438	2.3	
-	-	IFM Infrastructure	60,937	2.0	
524,841	16.5	JO Hambro Capital Management	-	-	
60,888	1.9	M&G Investments	55,411	1.9	
9,759	0.3	M&G Real Estate	55,022	1.9	
37,370	1.2	Partners Group (UK)	39,246	1.3	
-	-	River and Mercantile Group	192,269	6.5	
946,737	29.9	Schroders Investment Management	373,605	12.5	
16,742	0.5	UBS Infrastructure	13,958	0.5	
17,194	0.5	Cash with custodian	34,732	1.2	
<b>1,913,545</b>	<b>60.2</b>	<b>Total Investments managed outside Pool Governance</b>	<b>1,156,825</b>	<b>38.9</b>	
<b>3,177,371</b>	<b>100.0</b>	<b>Net investment assets</b>	<b>2,979,631</b>	<b>100.0</b>	

All the above companies are registered in the United Kingdom.

# Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme as at 31 March 2020.

Security	31-Mar-19	% of total fund	31-Mar-20	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	498,776	15.6	316,598	10.6
J O Hambro Capital Management LTD Global Select Fund	509,096	15.9	-	-
LF ACCESS Global Equity - J O Hambro	-	-	386,254	12.9
LF ACCESS Global Equity - Longview	-	-	266,447	-
UBS Asset Management Life USA Equity Tracker Hedged	-	-	186,591	6.2
UBS Global Asset Life North America Equity Tracker	180,827	5.7	-	-
Schroder Investment Management Strategic Bond	165,656	5.2	-	-
	<b>1,354,355</b>		<b>1,155,890</b>	

## 14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2020, the value of quoted equities on loan was nil (31 March 2019: £66.2m). The Fund held fewer assets available for lending at 31 March 2020, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS pool.

## 15. ANALYSIS OF DERIVATIVES

### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement between the Fund and the various investment managers.

#### • Futures

There were no outstanding exchange traded future contracts at 31 March 2020 or 31 March 2019.

#### • Forward foreign currency

The Fund's Investment Managers may enter into forward foreign currency contracts to secure current exchange rates in order to reduce the volatility associated with fluctuating currency rates.

There were no open forward currency contracts at 31 March 2020 or 31 March 2019. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

# Notes to the Pension Fund Accounts (continued)

## •Options

In order to minimise the risk of loss of value through adverse equity price movements, equity option contracts can protect the Fund from falls in value in its main investment markets, principally the UK, USA and Europe.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-19	Notional Holdings	31-Mar-20
Assets				£000		£000
Equity purchased	Over three months	Put	-	-	172,896	138,545
<b>Total assets</b>						<b>138,545</b>
Liabilities						
Equity written	Over three months	Put	-	-	(222,053)	(98,506)
Equity written	Over three months	Call	-	-	(168,826)	(3,457)
<b>Total liabilities</b>						<b>(101,963)</b>
<b>Net purchased/written options</b>						<b>36,582</b>

# Notes to the Pension Fund Accounts (continued)

## 16. FAIR VALUE

### 16a. Fair value hierarchy

#### Valuation of Financial Instruments Carried at Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

**Level 1** Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

**Level 2** Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. The price used is based upon inputs from observable market data.

**Level 3** Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. Due to a higher level of valuation uncertainty as a result of the COVID-19 pandemic, valuations from Private Equity and Infrastructure are taken at the end of March 2020.

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,423	2,376,015	670,850	3,049,288
<b>Total financial assets</b>	<b>2,423</b>	<b>2,376,015</b>	<b>670,850</b>	<b>3,049,288</b>

Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	458,106	2,163,820	522,295	3,144,221
<b>Total financial assets</b>	<b>458,106</b>	<b>2,163,820</b>	<b>522,295</b>	<b>3,144,221</b>

# Notes to the Pension Fund Accounts (continued)

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. The fair valuation of each class of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Unquoted bonds and unit trusts	Level 2	Average of broker prices	Evaluated price feeds.	Not required
Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure – equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure – other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.



# Notes to the Pension Fund Accounts (continued)

## Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset Type	Market Value as at 31-Mar-20 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Private Equity	445,787	23.2%	549,210	342,364
Property	225,063	14.2%	257,022	193,104
<b>Total Assets</b>	<b>670,850</b>		<b>806,232</b>	<b>535,468</b>

## 16(b) RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2019-20	Market value 01- Apr-19	Transfers in/out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31- Mar-20
	£000	£000	£000	£000	£000	£000	£000
Pooled property investments	168,180	68,678	11,363	(16,219)	(11,379)	4,440	225,063
Private equity and infrastructure - equity	81,100	-	-	-	(23,100)	-	58,000
Private equity and infrastructure - other	273,015	-	129,576	(43,585)	13,586	15,195	387,787
<b>Total</b>	<b>522,295</b>	<b>68,678</b>	<b>140,939</b>	<b>(59,804)</b>	<b>(20,893)</b>	<b>19,635</b>	<b>670,850</b>

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

# Notes to the Pension Fund Accounts (continued)

## 17. FINANCIAL INSTRUMENTS

### 17a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-19			31-Mar-20		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000	£000	£000	£000
<b>Financial assets</b>					
79,206	-	- Bonds	155,686	-	-
377,322	-	- Equities	1	-	-
2,086,961	-	- Pooled investments	2,029,182	-	-
236,858	-	- Pooled property investments	225,063	-	-
363,874	-	- Private equity/Infrastructure	500,810	-	-
-	-	- Derivative contracts	138,546	-	-
-	32,300	- Cash	-	40,661	-
-	5,902	- Other investment balances	-	722	-
-	13,993	- Debtors	-	18,133	-
<b>3,144,221</b>	<b>52,195</b>	<b>-</b>	<b>3,049,288</b>	<b>59,516</b>	<b>-</b>
<b>Financial liabilities</b>					
-	-	- Derivative contracts	-	-	(101,964)
-	-	(345) Other investment balances	-	-	-
-	-	(3,477) Creditors	-	-	(9,171)
-	-	<b>(3,822)</b>	-	-	<b>(111,135)</b>
<b>3,144,221</b>	<b>52,195</b>	<b>(3,822)</b>	<b>3,049,288</b>	<b>59,516</b>	<b>(111,135)</b>
<b>3,192,594 Total</b>			<b>2,997,669</b>		

# Notes to the Pension Fund Accounts (continued)

## 17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-19 £000		31-Mar-20 £000
<b>Financial assets:</b>		
182,038	Fair value through profit and loss	(263,072)
723	Amortised cost – realised gains on de-recognition of assets	4,461
<b>Financial liabilities:</b>		
9	Fair value through profit and loss	33,052
(25)	Amortised cost – realised losses on de-recognition of assets	-
-	Amortised cost – unrealised losses	-
<b>182,745</b>	<b>Total gains/(losses)</b>	<b>(225,559)</b>

## 18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund Risk Management Programme.

Responsibility for the Fund's Risk Management Strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

[Risk Strategy Statement](#)

### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's Risk Management Strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund entered into derivative contracts to manage the overweight in equities compared to the strategic allocation.

Subsequent to year end, there has been a recovery in the markets following the Covid-19 pandemic however there is continuing volatility in the market. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

# Notes to the Pension Fund Accounts (continued)

## Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2019-20 reporting period.

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	27.5%
Overseas equities	28.0%
Global pooled equities	28.0%
Index Linked Bonds	7.4%
Pooled fixed interest bonds	9.8%
Property	14.2%
Alternatives	23.2%
Cash and Other investment balances	0.3%

# Notes to the Pension Fund Accounts (continued)

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

<b>31-Mar-20</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-20</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	73,091	27.5%	93,191	52,991
Global pooled equities	1,749,717	28.0%	2,239,637	1,259,796
Index Linked Bonds	155,686	7.4%	167,207	144,165
Pooled fixed interest bonds	203,953	9.8%	223,941	183,966
Property	225,063	14.2%	257,022	193,104
Alternatives	500,810	23.2%	616,998	384,622
Cash and Other investment balances	71,311	0.3%	71,525	71,097
<b>Total Assets</b>	<b>2,979,631</b>		<b>3,669,521</b>	<b>2,289,741</b>

<b>31-Mar-19</b>	<b>Value as at</b>	<b>% (rounded)</b>	<b>Value on</b>	<b>Value on</b>
<b>Asset Type</b>	<b>31-Mar-19</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
UK equities	428,009	16.6%	499,059	356,960
Overseas equities	19,655	16.9%	22,976	16,333
Global pooled equities	1,718,325	16.9%	2,008,721	1,427,928
Index Linked Bonds	79,206	9.2%	86,493	71,919
Pooled fixed interest bonds	296,716	10.5%	327,871	265,561
Property	236,858	14.3%	270,728	202,978
Alternatives	363,874	24.7%	453,657	274,092
Cash and Other investment balances	34,728	0.5%	34,902	34,555
<b>Total Assets</b>	<b>3,177,371</b>		<b>3,704,407</b>	<b>2,650,326</b>

# Notes to the Pension Fund Accounts (continued)

## Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-19 Asset Type £000	31-Mar-20 £000
27,593 Cash and cash equivalents	31,585
4,707 Cash balances	9,076
79,206 Index-linked securities	155,686
296,716 Fixed interest securities	203,953
<b>408,222 Total</b>	<b>400,300</b>

Exposure to interest rate risk	Asset values at 31-Mar-20 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	31,585	31,585	31,585
Cash balances	9,076	9,076	9,076
Index-linked securities	155,686	157,243	154,129
Fixed interest securities	203,953	205,993	201,913
<b>Total change in assets available</b>	<b>400,300</b>	<b>403,897</b>	<b>396,703</b>

Exposure to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	27,593	27,593	27,593
Cash balances	4,707	4,707	4,707
Index-linked securities	79,206	79,998	78,414
Fixed interest securities	296,716	300,279	293,749
<b>Total change in assets available</b>	<b>408,222</b>	<b>412,577</b>	<b>404,463</b>

# Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	561	567	555
Index-linked securities	494	499	489
Fixed interest securities	2,026	2,046	2,006
<b>Total</b>	<b>3,081</b>	<b>3,112</b>	<b>3,050</b>

Exposure to interest rate risk	Interest receivable 2018-19 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	360	364	356
Index-linked securities	424	428	420
Fixed interest securities	3,598	3,598	3,598
<b>Total</b>	<b>4,382</b>	<b>4,390</b>	<b>4,374</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of the assets and the income received from investments impact on the net assets available to pay benefits.

## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Investment Sub Committee and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

During the year the Fund partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds

# Notes to the Pension Fund Accounts (continued)

## Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation). A 10.0% (31 March 2019: 10.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-20	market	increase	decrease
	£000	£000	£000	£000
Overseas Equities - Hedged	577,099	-	577,099	577,099
Overseas Equities - Unhedged	1,172,618	117,262	1,289,880	1,055,356
Overseas Fixed Income	203,953	20,395	224,348	183,558
Overseas Cash Fund	2,422	242	2,664	2,180
<b>Total</b>	<b>1,956,092</b>	<b>137,899</b>	<b>2,093,991</b>	<b>1,818,193</b>

Assets exposed to currency risk	Value at	Potential	Value on	Value on
	31-Mar-19	market	increase	decrease
	£000	£000	£000	£000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
<b>Total</b>	<b>1,966,100</b>	<b>196,610</b>	<b>2,162,710</b>	<b>1,769,490</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.



# Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £40.6m (31 March 2019: £32.3m). This was held with the following institutions:-

	Rating	31-Mar-19 £000	31-Mar-20 £000
<b>Money market funds</b>			
Northern Trust Global Investors Global Cash Fund	AAAF S1+	27,427	30,835
<b>Bank deposit account</b>			
Barclays Bank	A	4,707	9,076
<b>Bank current accounts</b>			
Northern Trust custody accounts	A-1+	166	750
<b>Total</b>		<b>32,300</b>	<b>40,661</b>

## c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £725.9m, which represented 24.2% of the total Fund assets (31 March 2019: £600.7m, which represented 18.8% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2020 are due within one year.

## d) Refinancing risk

A key risk for a Pension Fund is that it may be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

# Notes to the Pension Fund Accounts (continued)

## 19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022 and will be published in 2023.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 100% funded (78.4% at the March 2016 valuation). This corresponded to a deficit of £11m (2016 valuation: £625m) at that time.

The Contribution Objective is achieved by setting employer contributions which are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain where possible relatively stable employer contribution rates. For each employer in the Fund, to meet the Contribution Objective, a primary contribution rate has been calculated in order to fund the cost of new benefits accruing in the Fund. Additionally, if required, a secondary contribution rate has also been calculated to target a fully funded position within the employer's set time horizon.

The table below summarises the whole fund Primary and Secondary Contribution rates at the 2019 triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate %	Secondary Rate %		
1 April 2020 to 31 March 2023	2020/2021	2021/2022	2022/2023
18.4%	£19,425,000	£19,061,000	£19,082,000

The Primary rate above includes an allowance of 0.6% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.3% of pensionable pay. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

# Notes to the Pension Fund Accounts (continued)

## Basis of valuation

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

## Financial assumptions

A summary of the main financial assumptions adopted for the valuation of members' benefits are shown below.

Assumption	31-Mar-16	31-Mar-19
Price Inflation (CPI)/ Pension increases	2.1%	2.3%
Pay increases	2.4%*	2.8%**

\*CPI plus 0.3%

\*\*2% until March 2020 followed by CPI plus 0.5%

## Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

	Active and Deferred Members		Current Pensioners	
Assumed life expectancy at age 65	Male	Female	Male	Female
2016 valuation	24.0	26.3	22.4	24.4
2019 valuation	22.7	25.5	22.0	24.0

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.

Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

## Other demographic valuation assumptions:

**a) Retirements in ill health** - Allowance has been made for ill-health retirements before Normal Pension Age.

**b) Withdrawals** - Allowance has been made for withdrawals from service.

**c) Retirements in normal health** - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.

**d) Death in Service** - Allowance has been made for death in service.

**e) Promotional salary increases** - Allowance has been made for promotional salary increases.

**f) Family details** - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than the member and the dependant of a female member is assumed to be 3 years older than the member.

**g) Commutation** - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).

**h) 50:50 option** - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

# Notes to the Pension Fund Accounts (continued)

## 20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31-Mar-19 £m		31-Mar-20 £m
(4,829)	Present value of promised retirement benefits	(4,305)
3,187	Fair value of scheme assets (bid value)	2,998
<b>(1,642)</b>	<b>Net liability</b>	<b>(1,307)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

### Assumptions used

31-Mar-19 % p.a.	Assumption	31-Mar-20 % p.a.
2.5	Inflation/pension increase rate assumption	1.9
2.8	Salary increase rate	2.4
2.4	Discount rate	2.3

# Notes to the Pension Fund Accounts (continued)

## 21. CURRENT ASSETS

31-Mar-19	31-Mar-20
£000	£000
<b>Debtors:</b>	
1,847 Contributions Due – Members	2,288
5,900 Contributions Due – Employers	6,018
5,614 Sundry Receivables	9,827
<b>13,361</b>	<b>18,133</b>
4,707 Cash Balances	9,076
<b>18,068</b>	<b>27,209</b>

## 22. CURRENT LIABILITIES

31-Mar-19	31-Mar-20
£000	£000
3,088 Sundry Payables	7,363
389 Benefits Payable	1,808
<b>3,477</b>	<b>9,171</b>

## 23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-19	31-Mar-20
£000	£000
7,683 Prudential	7,653
363 Equitable Life	-
- Utmost	361
<b>8,046</b>	<b>8,014</b>

## 24. AGENCY

Agency Services represent activities administered by the Fund on behalf of scheme employers which are not included within the Fund Account but are provided as a service and are fully reclaimed from the employer bodies.

31-Mar-19	31-Mar-20
£000	£000
3,625 Unfunded pensions	3,618
<b>3,625</b>	<b>3,618</b>

# Notes to the Pension Fund Accounts (continued)

## 25. RELATED PARTY TRANSACTIONS

### Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.4m (2018-19: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £21.0m, excluding Local Education Authority schools, to the Fund in 2019-20 (2018-19: £21.0m). At 31 March 2020 there was £5.7m (31 March 2019: £0.2m) due to the Fund by the Council.

### Governance

The following Pension Fund Committee members declared a personal interest due to either being a member of the scheme themselves or having a family member in the scheme:-

- John Walker
- Lee Phanco

County Council members have declared their interests in their Register of Members' Interests. Other members of the Pension Fund Board are required to declare their interests at each meeting.

### Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. An Officer of the Pension Fund is a Non-executive Director on the Board of CCB, for which CCB paid £52,250 during the year (2018-19 £49,688) to the Council.

## 25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS Pensions which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reports directly to the Managing Director of LGSS, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer who is Treasurer to the Fund, and the Head of HR. The Interim Managing Director of LGSS, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of costs relating to these services to the Fund.

## 26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £318.0m (31 March 2019: £315.0m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between three and fifteen years from the date of each original commitment.

## 27. CONTINGENT ASSETS

Nineteen admitted body employers in the Cambridgeshire Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default, and usually only in the event of premature cessation.

# Glossary

**ACCRUAL** An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

**ACTUARY** An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

**ACS** ACCESS Authorised Contractual Scheme.

**ADMITTED BODIES** Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

**AUM** Assets Under Management.

**BENEFICIAL OWNER** The true owner of a security regardless of the name in which it is registered.

**BID PRICE** The price at which securities are purchased by market makers.

**BOND** Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

**CASH EQUIVALENTS** Assets which are readily convertible into cash.

**CIPFA** Chartered Institute of Public Finance and Accountancy

**COMMUTATION** Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

**CONTINGENT ASSETS AND LIABILITIES** Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

**CONTRACT NOTE** The documentary record of a trade which is sent from the broker to the investor.

**CONVERTIBLE** Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

**COUPON** The regular payment made on bonds.

**CTI** Cost Transparency Initiative.

**CURRENT ASSETS** Short-term assets such as inventories, receivables and bank balances.

**CURRENT LIABILITIES** Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

**CUSTODIAN** An external body responsible for ensuring Fund assets are registered in the name of the Fund, managing the settlement of trades entered into by the Fund, collecting income arising on Fund assets and reporting transactions and values to the Fund on a regular basis.

**DEFERRED PENSION BENEFIT** A pension benefit which a member has accrued but is not yet entitled to receive.

**DEFICIT** An outcome as a result of taking away all expenses from income.

**DERIVATIVE** A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

**DIVIDEND** The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

# Glossary (Continued)

**EARNINGS PER SHARE (EPS)** The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

**EQUITIES** Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

**FINANCIAL INSTRUMENTS** Contracts which give rise to a financial asset of one entity and a financial liability or equity instrument of another.

**FINANCIAL CONDUCT AUTHORITY (FCA)** The lead UK regulator. A designated agency which is not a government department.

**FIXED INTEREST CORPORATE BOND** A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

**FTSE-100 INDEX** The main UK index used to represent the approximate price movements of the top 100 shares.

**FTSE All Share Index** Summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

**FUTURES** Instruments which give a buyer the right to purchase a commodity at a future date.

**GMP** Guaranteed Minimum Pension.

**HEDGE** To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

**HEDGE FUND** A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

**IAS** International Accounting Standards

**IDRP** Internal Dispute Resolution Procedures

**INDEX LINKED** Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

**INTEREST YIELD** The annual coupon on a bond divided by the price of a bond which is quoted without accrued interest.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** Accounting Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB).

**ISC** Investments Sub-Committee.

**LGSS** A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

**LOAN STOCK** Unsecured bonds, which may be convertible if they have a warrant attached.

**LPB** Local Pension Board.

**MARKET CAPITALISATION** For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

**OFFER PRICE** The price at which market makers will sell stock.

**ORDINARY SHARES** 'A' Shares which confer full voting and dividend rights to the Owner.

**PENSIONS STRAIN** Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

**PFC** Pension Fund Committee.

**PLSA** Pensions and Lifetime Savings Association.

**PORTFOLIO** A collection of investments. This can refer to the investments managed by a particular Investment Manager, or to describe the whole Fund's investments.

**RAG** Red, Amber and Green.



# Glossary (Continued)

**RELATED PARTY** A person or an organisation which has influence over another person or organisation.

**RIGHTS ISSUE** A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

**SAB** Scheme Advisory Board.

**SCHEDULED BODIES** Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

**STOCK** Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

**SURPLUS** An outcome as a result of taking away all expenses from income.

**TRANSFER VALUES** Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

**TREASURY MANAGEMENT** A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

**TRUST** Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

**UNIT TRUST** An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

**WARRANTS** Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.



# ACCESS ANNUAL REPORT 2019/20

"I am pleased to introduce the ACCESS 2019/20 Annual Report.

We find ourselves in challenging times, facing a national emergency, but we will continue to manage these very substantial LGPS assets to the best of our abilities. I am truly grateful, at this time, that ACCESS has built a strong partnership that allows each of the 11 member authorities to support each other in this difficult period.

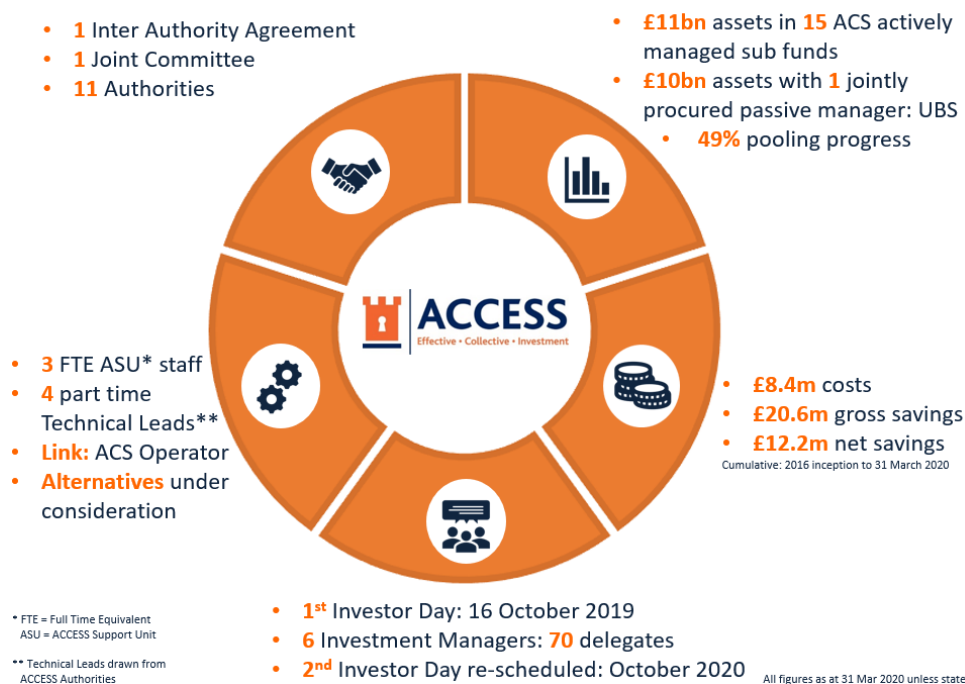
I would like to take this opportunity to thank Cllr Andrew Reid of Suffolk for the contribution he made as the first chairman of the ACCESS Joint Committee, which was critical in building a strong foundation for the Pool. It goes without saying that I was honoured by the confidence shown in me by my fellow Joint Committee members in choosing me to succeed Cllr Reid last December.



It has been another busy year for ACCESS with good progress made by our operator, Link, in launching new sub-funds, which has brought the total assets under management (AUM) under ACCESS auspices to £21.4bn. Equally important work has also taken place in reviewing the governance of the Pool and progressing options for pooling alternative investment categories.

I'm sure that 20/21 will be another busy year for ACCESS, not only in continuing to issue further sub-funds, but also in other crucial areas such as deepening the Pool's approach to Responsible Investment."

## At a glance



## Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council; Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

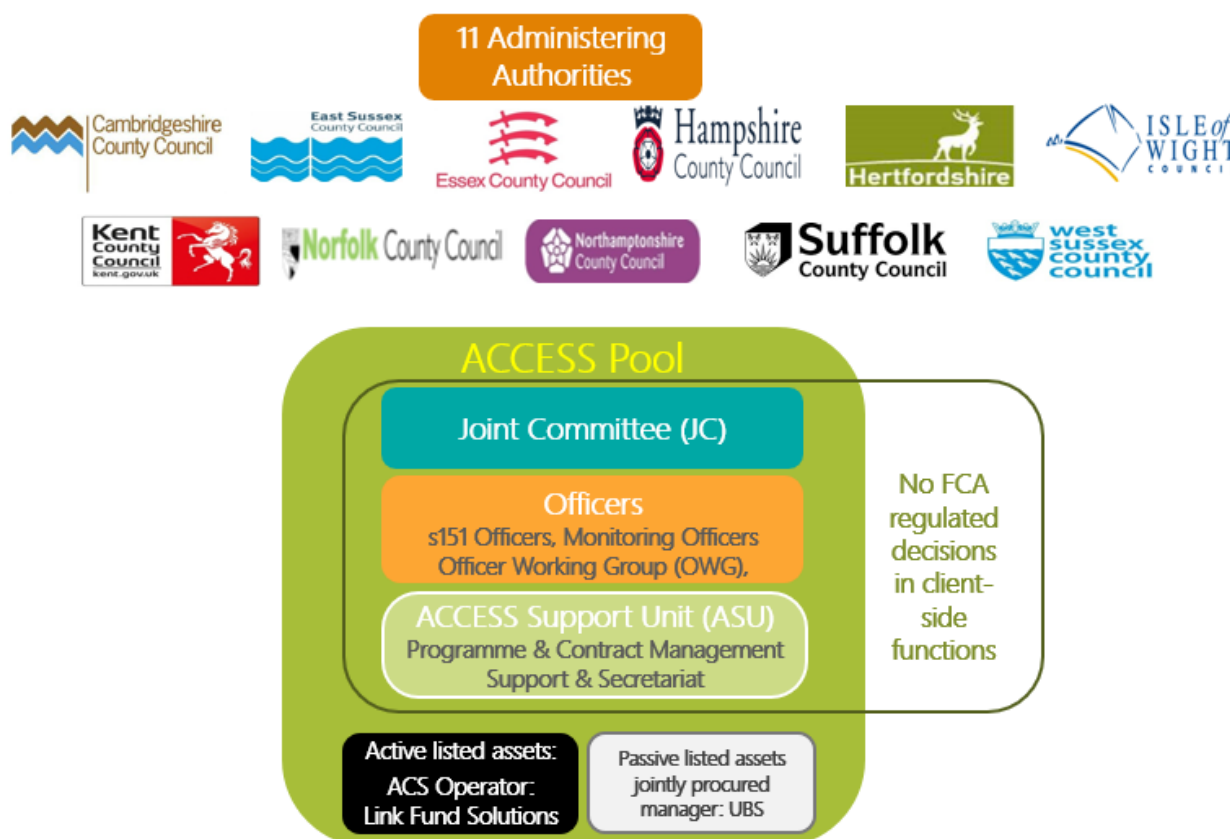
Collectively as at 31 March 2020, the ACCESS Authorities have

total assets of **£44 billion** (of which **49%** has been pooled)

serving **3,534** employers with **1.1 million** members including **288,248** pensioners

## Governance

An extract from the ACCESS governance model is shown below:



Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool- aligned asset providers (for passive asset management), to the Administering Authorities. The JC also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the JC in response to its decisions ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The JC further supported by Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group are officers identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management, administration and technical support services. 2019/20 saw the completion of appointments to each of the three full time ASU roles, hosted by Essex County Council. These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.

### **The Operator: Link Fund Solutions**

Appointed 2018 Link Fund Solutions Ltd pooled operator service, overseeing an Authorised Contractual scheme for the sole use of ACCESS Authorities. Link are responsible for establishing and operating an authorised contractual scheme along with the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies

### **Pool Aligned Assets: UBS**

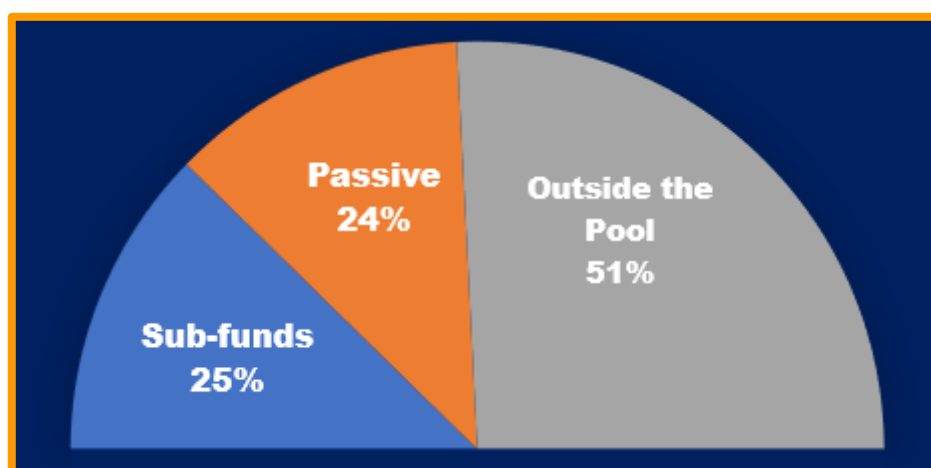
Appointed following a joint procurement in 2017, UBS act as the ACCESS Authorities' investment manager for passive assets.

### **Progress on Pooling**

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestone of having **£27.2 billion** assets pooled and estimated savings of £13.6 million by March 2021.



As at 31 March 2020, **49%** of assets have been pooled:



### Pooled Assets

As at 31 March 2020 ACCESS has the following assets pooled:

Pooled Investments	£ Billion
Passive Investments	10.486
UK Equity Funds	1.588
Global Equity Funds	7.189
UK Fixed Income	0.834
Diversified Growth	1.262
<b>Total Pooled Investments</b>	<b>21.359</b>

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.

### Key milestones achieved in 2019/20

- Recruitment of an interim Director to lead the ACCESS Support Unit.
- Establishment of business as usual functions of the ACCESS Support Unit being undertaken by the ACCESS Support Unit officers and technical leads officers.
- Approval and launch of a range of sub-funds further rationalising the existing range of mandates whilst reflecting the strategic asset allocation needs of the ACCESS Funds.
- Re-procurement of a legal advisor for ACCESS.
- Provision of updates of progress of pooling to Government and responding to consultations.
- Commencement of a review of Environmental, Social and Governance and Responsible Investment guidelines for ACCESS.



- In conjunction with Link Fund Solutions, held the first investor day for members and officers of the individual funds to hear from the investment managers in the ACCESS pool.
- Commencement of a review to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds current and future requirements.

## Objectives for 2020/21

ACCESS is well placed to continue to develop the pool and progress will continue unabated despite the restrictions imposed by the COVID-19 lockdown. Virtual meetings are well established and productive. It is anticipated that 2020/21 will see key activities within the following themes:



- Actively managed listed assets: the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).
- Alternative / non listed assets: the initial implementation of pooled alternative assets.
- Passively managed assets: ongoing monitoring and engagement with UBS.
- Governance: the application of appropriate forms of governance throughout ACCESS.
- ACCESS Support Unit (ASU): the size and scope of the ASU will be kept under review.

## Expected v Actual Costs and Savings

The table below summarises the financial position for 2019/20 along with the cumulative position since the commencement of ACCESS activity in early 2016.



A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the 11 Authorities. 2019/20 saw an underspend primarily due to lower than anticipated costs of external advice combined with the establishment of the ACCESS Support Unit reducing the reliance on external project management support.

	2019 – 2020		2019 – 2020	
	Actual	Budget	Actual	Budget
	In Year	In Year	Cumulative	Cumulative
	£'000	£'000	to date	to date
			£'000	£'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	674	2,499
Ongoing Operational Costs	811	1,203	2,208	2,469
Operator & Depositary Costs	3,247	2,000	3,632	2,500
<b>Total Costs</b>	<b>4,058</b>	<b>3,203</b>	<b>8,338</b>	<b>8,868</b>
<b>Pool Fee Savings</b>	<b>13,456</b>	<b>13,200</b>	<b>20,515</b>	<b>18,450</b>
<b>Net Savings Realised</b>	<b>9,398</b>	<b>9,997</b>	<b>12,177</b>	<b>9,582</b>



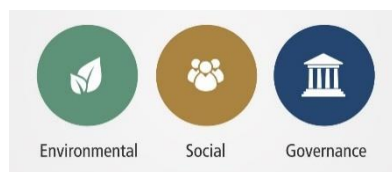
Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator. The initial ACCESS business plan to MHCLG anticipated Operator costs of 2bps.

The 2019/20 fee savings have been calculated using the CIPFA price variance methodology and based on the asset values as at 31 March 2020. This approach highlights the combined level of investment fee savings, across all ACCESSS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering savings ahead of the timeline contained in the original proposal.

## Environmental, Social and Governance (ESG) and Responsible Investment (RI)

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environment and social risk considerations, promoting good governance and stewardship.

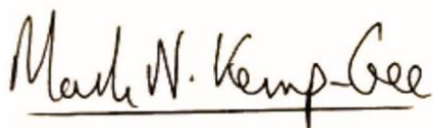


Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Over the course of the last year a number of ACCESS Authorities have reviewed and developed their individual ESG /RI policies. Building on this ACCESS will, in the current year review its own ESG /RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year ACCESS voted at **383** meetings on **6,000** resolutions.



**Mark Kemp-Gee**

Cllr Mark Kemp-Gee - Chairman, ACCESS Joint Committee



Cambridgeshire Pension Fund Board Agenda Plan		Agenda item 16
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Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
22/01/2021	Minutes 02/10/2020 and Action Log	M Balazs /J Walton	13/01/21	
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Terms of Reference and appointment review [standing item]	M Oakensen		
	Aon action plan conclusions [review]	M Oakensen		
	Administration Strategy [post scrutiny]	C Blose		
	Overpayment of Pension Policy [pre scrutiny]	J Walton		
	Admissions, Cessations and Bulk Transfer Policy [post scrutiny]	C Blose		
	Cambridgeshire Pension Fund Board Effectiveness Review [review]	M Oakensen		
	External Audit [information]	B Barlow		
	Pension Committee Minutes	M Balazs/ J Walton		
23/04/2021	Minutes 22/01/2021 and Action Log	M Balazs /J Walton	14/04/21	

Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
	Administration Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Business Continuity Plan review (incl cybercrime)	J Walton		
	Terms of Reference and appointment review [standing item]	M Oakensen		
	Training Strategy [post scrutiny]	M Oakensen		
	Review of Investment Strategy Statement [post scrutiny]	P Tysoe		
	Payment of Employee and Employer Contributions Policy [pre scrutiny]	M Oakensen		
	Pension Committee Minutes	M Balazs/ J Walton		