

CAMBRIDGESHIRE PENSION FUND BOARD



Friday, 31 January 2020

Democratic and Members' Services

Fiona McMillan
Monitoring Officer

10:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

**Kreis Viersen Room
Shire Hall, Castle Hill, Cambridge, CB3 0AP**

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. **4th October 2019 Minutes of the Cambridgeshire Pension Fund Board** **5 - 22**
3. **Minutes Action Log** **23 - 30**
- 4a) **Public minutes of the Pension Fund Committee meeting held 10th October 2019** **31 - 38**
- 4b) **4b) Pension Committee Minutes 14th January 2020 - to follow**

STANDING ITEMS

Exclusion of Press and Public for confidential appendix

If the Committee wishes to discuss the detail of appendix 4 of the Administration report and the press and public are present, it will need to move the exclusion of the press and public paragraph with the same

wording as included later on the agenda in respect of Item 11

5.	Administration Performance Report	39 - 54
6.	Annual Business Plan Update Report 2019-20	55 - 68
7.	Risk Monitoring	69 - 84
8.	Governance and Compliance Report	85 - 126

PRE-SCRUTINY REPORT

9.	Communications Strategy	127 - 146
10.	Valuation of the Pension Fund	147 - 150

Exclusion of Press and Public

To resolve 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 information relating to the financial or business affairs of any particular person (including the authority holding that information)

11.	ACCESS Asset Pooling Update - Confidential Report	
	<ul style="list-style-type: none">Information relating to the financial or business affairs of any particular person (including the authority holding that information);	
12.	Forward Agenda Plan	151 - 154
13.	Date of Next Meeting 24th April 2020	

The Cambridgeshire Pension Fund Board comprises the following members:

Councillor Simon King (Chairman) Mr David Brooks (Vice-Chairman)

Mr Barry O'Sullivan Councillor Denis Payne and Mr John Stokes and Councillor Elisa Meschini

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

Clerk Name: Rob Sanderson

Clerk Telephone: 01223 699181

Clerk Email: rob.sanderson@cambridgeshire.gov.uk

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution:

<https://tinyurl.com/CommitteeProcedure>

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MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 4th October 2019

Members of the Board in attendance:

Employer Representatives – County Councillors E Meschini, S King (Chairman) and Parish Councillor D Payne

Scheme Member Representatives - D Brooks (Vice Chairman), B O'Sullivan and J Stokes

Officers in attendance:

C Blose - Employer Services and Systems Manager

M Oakensen - Governance Officer

P Tysoe – Investment Manager

J Walton - Governance and Regulations Manager

M Whitby Head of Pensions

R Sanderson - Democratic Services Officer

Time: 10.00 am to 12.50 pm

Place: KV Room, Shire Hall, Cambridge

**ACTION
BY**

117. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence. The Chairman had phoned ahead indicating that due to heavy traffic he would be slightly late. (*Note: He joined the meeting for Item 4a) the Minutes of the Pension Committee of 13th June*).

John Stokes highlighted when looking at the Pensions Committee minutes at items 4a) and 4b) that some of the members were declaring their standard declarations. Following confirmation that he did not have to declare any already listed in his declarations form at every meeting, he confirmed that he had no additions to declare.

118. MINUTES OF THE PENSIONS FUND BOARD 5th JULY 2019

The minutes of the meeting of 5th July 2019 were approved as a correct record and in the absence of the Chairman the Vice Chairman was authorised to sign them.

On Minute 112 titled 'Monitoring and Managing Outsourced Providers' the Vice Chairman expressed his continued concerns regarding using Western Union for the contract for proof of existence for overseas pensioners as there had been issues regarding them signing the GDPR addendum. Officers as an update indicated they were not using Western Union for the contract as they

had not been able to reach agreement with them on the issues. More details were included in a later report on the agenda.

119. MINUTES ACTION LOG

The Minute Action Log was noted.

120. MINUTES PENSION FUND COMMITTEE 13th JUNE AND 25th JULY 2019

The last two Pension Fund Committee minutes had been provided to the Board for information and were noted.

121. LOCAL GOVERNMENT CHRONICLE (LGC) INVESTMENT AND PENSIONS SUMMIT UPDATE

The Board Members who had attended provided the following observations:

- The main emphasise that had emerged as discussed in break-out sessions reflected the current widespread concerns around climate change with ESG and the environmental issues to the fore, and included discussions on responsible investments. (*Note: Environmental, social and governance (ESG) refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business*).
- On the defined contribution scheme it was highlighted that there were revised requirements on trustees.
- There had been greater participation from delegates than had been the case in the past, which reflected the interest in the main issues highlighted, and there had been good opportunities for networking with representatives from other Pension funds.
- One member highlighted that the issue of giving out trinkets /'freebies' should be reviewed as they were of no value and it was the pensions funds who were ultimately paying for them.
- One of the sessions on good governance undertaken by the Chair of the Scheme Advisory Board suggested a different approach to openness from that recently agreed at the Access Board the latter of which was set out in the minutes included later on the agenda. As it was not a mandated scheme, the suggestion was that it should be set up on an 'explain or comply basis'.
- Regarding training sessions and referencing officer only attendance at certain seminars (a budgeting seminar in December which was not included in the Internal / External Training events programme on page 73 being cited) a Member queried the reasoning for this. In reply the Head of Pensions explained some had not been included in the programme for member attendance in order to obtain a balance between those recommended to increase members' knowledge without compelling members to attend too many, especially if the particular training was geared more towards officers. The aim was for members to have to attend only two conferences where possible in order to obtain the necessary credits. However, if a member felt that they would benefit from attendance, their application would be supported and the necessary fees / expenses paid for.

- Further to the above it was suggested that the training programme schedule should have more information on its intended audience / what the aims of the conference / seminar were, where known. It was also suggested that the schedule should in future include a general note to the effect that where officers were the identified audience, this did not preclude members from attending. **Action: LGSS Governance Officer.**
- The need to improve monitoring of fund managers against ESG and to ensure it was central to their investment strategies, which should include providing details of their voting records. **Action: The Pension Fund manager undertook to provide voting records in a future report.** Officers gave assurance that monitoring of Fund Managers investments was undertaken as part of regular meetings, highlighting that already some fund managers treated ESG as a recognised risk. This was however different from saying that fund managers should not invest in certain stocks and shares.
- Regarding the Investment Strategy, Councillor Payne was not convinced that there was sufficient weight given to ESG as it was only referenced in two lines, especially as now four major employers of the Fund had declared a climate emergency.
- There was a request for a paper to be submitted to the Board to explain in more detail the guidance given to Fund Managers on ESG. It was agreed that more information could be provided on non-financial factors that Fund managers should take into account, but this would be for member understanding, and was not taking the Fund down a divestment path. Assurance was given that ESG was taken seriously by officers highlighting that there was to be two seminars on the subject with an item also recommended to be added to the Risk Register, as set out in a report later on the agenda. In addition, a recent Access Board had spent a third of its meeting discussing ESG with a large number of officers involved in the issue. In terms of a report on guidance, the officer suggestion was that this should await the new stewardship guidance code expected from Government. **Action: Reference to be made in the agenda plan to highlight the need for a report once the guidance was published.**

Michelle
Oakensen

M Whitby
/ M
Oakensen (MO)

MO

In summing up, the Chairman thanked the Board members who had attended for their feedback, commenting that it had been a very useful seminar and clearly represented value for money.

The updates and future requests for reports to the Board were noted.

122. VALUATION OF THE PENSION FUND

This report provided a brief update on the key work being undertaken on the Pension Valuation. This included:

- An oral update on the details of the principles based consultation held with Resolution Bodies and Small admitted Bodies over the continuation of their respective pools was provided. Of the 40% who had responded, 43% wanted the pool to continue, 33% had no view with 24% supporting disbandment. Of the small pool employers, three out of the five had responded, one supported disbandment, two had no particular strong views, with one supporting continuation and one

disbandment. . There had been no consensus on disbandment in terms of equalisation of the funds or each employer leaving with its own underlying funding position. The recommendation to the Pension Fund Board was to disband the pools. As a lot of detail had been provided in the oral update **the presenting officer (Employer Services and Systems Manager) was asked to provide a written statement that could be added to the minutes. Action** (Note: See the appendix to these minutes).

Cory
Blose

- A correction was made on paragraph 2.3 on the date of the Employers forum to be held at Girton College which should have read 4th December not 4th October.
- The Actuary had now received membership data from Scheme Employers and been provided with acceptable membership data at whole Fund level as well as cash flow data. The Actuary would present the results to the Pension Committee's October meeting.
- A draft Funding Strategy statement had also been produced and would be going forward to the Committee detailing how the Fund would set contribution rates for different employers and once agreed would be released to employers.

Questions / issues raised included:

- On paragraph 3.5 referencing initial risk profiling of employers and those that would require deeper covenant assessments a question was raised on how this was to be undertaken. It was explained Hymans would look at market space and assess an employers ability to meet any deficit. This exercise through another company focussed on the riskiest employers and was undertaken looking at publicly available information.
- David Brooks requested that in future, he should, like Councillor Payne and King receive hard copies of the Pension Committee agenda.
Action: Democratic Services

Rob
Sander-
son notify
Dawn
Cave

The Valuation Update was noted.

123. PENSION FUND ANNUAL BUSINESS PLAN UPDATE

This report presented the Pension Fund Business Plan update for the period 1st July to 30th September 2019

In the oral presentation the key issues highlighted included:

- **GC 1 Procure a supplier of specialist legal advice** - this had slipped to quarter 3 for the reasons set out in paragraph 2.2.1 of the report.
- **GC3 Obtain proof of continued existence of scheme members residing overseas** - As already referenced earlier, it was initially planned to use Western Union's Proof of Existence service to conduct this exercise. However when reviewing the terms and conditions of this service, officers had been uncomfortable with the position taken by Western Union on the General Data Protection Regulation (GDPR). Western Union believed their GDPR responsibilities were limited to that of a Data Controller, with the

administering authority's view being that Western Union were a Data Processor; a role that was accountable for any data breaches and their associated penalties. Attempts had been made to negotiate with Western Union, but no change of position was able to be agreed. Given the risks associated, it was decided not to proceed. Instead LGSS Pensions would send a proof of existence certificate to all pensioner members residing overseas that would require a witness in the form of a suitable government official.(e.g. GP, town clerk, local councillor, pharmacist) It was confirmed in answer to a question, that details were included on who was considered to be a suitable signatory.

- **GC7 Complete the Guaranteed Minimum Pension reconciliation project with rectification of Members records - request on additional resources for Pensions committee approval.** In addition to the £9,000 for ITM Limited to cross reference data from HMRC (to identify any non-member liabilities that may have erroneously been transferred from other pension schemes), it was also proposed to purchase at a cost of £12,500 a one year license from Heywoods (the pensions and payroll administration software provider). This would access to the interfaces that would facilitate the pension amendments required. This would enable the rectification of pensions to be undertaken in a systematic and automated manner, as opposed to undertaking a time consuming manual data entry process, the latter of which, might take up to two years. The expenditure was supported by the Board.

It was resolved to note the report.

124. ADMINISTRATION PERFORMANCE REPORT

The Board considered a report which considered key areas of administration performance of the Cambridgeshire Pension Fund.

The tables in appendix 1 of the report provided 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 March 2019.

For the period 1st June to 31st August 2019 the Fund had met all targets with the exception of three with the detail included in appendix 2 of the report.

The table in appendix 3 showed 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 1st August 2018 to 31st July 2019. The private and confidential appendix 4 detailed the late paying employers for May, June and July 2019 and the discussion was taken in closed session, having excluded the press and public. As an update it was indicated that the two employers indicated as not having paid, had now done so and follow up escalation action had been undertaken regarding the Employer Group who had been persistently late over a three month period.

Section 2.42 set out details of any breaches of law. There had been no material breaches and in terms of none material breaches only two out of 24,512 annual benefit statements had not been issued by the statutory deadline and was therefore a very successful exercise.

Section 2.5.1 set out details of progress of cases within the Internal Dispute resolution procedure.

Section 2.6.1 provided details of employer admissions and cessations.

In discussion with reference to page 61 – ‘Management Expenses on the Total Governance Expenses’ - where it was stated that “Actuary fees were understated (McCloud)” there was a request for details of how much of the total was Actuary fees. **Action. An explanation of the £-83k variance would be provided in a note outside of the meeting, including how much of this was the additional actuary fees.**

MO / Paul
Tysoe

It was resolved:

To note the Administration Performance Report.

125. GOVERNANCE AND COMPLIANCE REPORT

This report provided information on:

- Potential, new or amending legislation and Court judgements affecting the Local Government Pension Scheme (LGPS);
- Other pensions legislation;
- The LGPS Scheme Advisory Board and the Pensions Regulator;
- Issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis;
- The Equitable Life Proposal
- Skills and knowledge opportunities.

Key issues highlighted included:

On new legislation and court judgements:

- The Investment Consultancy and Fiduciary Management Market Investigation Order had potential implications for LGPS Asset Pools. Part 7 of the Order to come into effect from 10th January 2020 would prohibit scheme managers from entering into a contract or continuing to obtain investment on consultancy services without setting strategic objectives for the investment consultancy provider. A report on the implications was to be prepared for the November meeting of the Investment Sub Committee. The issue was in relation to the role of advisors and whether it applied to local government. Officers were currently awaiting the outcome of the discussions between the Scheme Advisory Board and Government officials.
- Details were provided on the ‘Ministerial Statement – Walker V Innospec Supreme Court’ judgement – This for public service pension schemes ruled that that civil partners and survivors of same sex marriages would

be entitled to receive benefits equal to those received by widows of male members. Currently in the LGPS, in some cases, the widower of a female scheme member was entitled to a lower survivor pension than the widow of a male scheme member. This decision did not change this.

- Langford V RAF Pension Scheme Court of Appeal Ruling – On 17th July 2019 - the Court of Appeal had awarded a survivor pension in the RAF pension scheme to Ms Langford following the death of her partner in 2011. Ms Langford had cohabited with the scheme member for 15 years, but she was married to someone else at the time of her partner's death. It was highlighted that this decision could have far-reaching consequences for other cohabiting couples in the public sector where a surviving partner was married to a third party. Currently in the LGPS, both partners needed to be "free to marry" to qualify for payment of a cohabiting partner's pension (amongst other qualifying criteria). The Government's response to this decision was awaited.
- There was no update regarding the McCloud case in terms of the 2019 triennial valuation process. There would be extra costs to the Fund, it was just the magnitude that was not known.

Section 5 set out details of consultation responses relating to:

- a) Local valuation cycle and the management of employment risk
- b) Exit payment cap.

Section 6 of the report provided details of Equitable Life's Proposal to transfer the Society and all its policies to Utmost Life and Pensions.

With reference to the Internal / External training and events 2019- 20 schedule one member complained that the last Pensions Information day he had attended on the 17th July had for him been a complete waste of time as it related to accountancy, an area he was completely familiar with. Had he received an agenda in advance which could have alerted him to the subject matter, he would have not attended. He also stated that the food provided at the Wyboston Lakes conference centre was, in his opinion, appalling. Further to this he requested a breakdown of the costs for the last four training days. In reply it was agreed that it was not good practice that no agenda was available in advance, and that where ever practicable, an agenda should be sent out two weeks before the meeting. The Investment and Fund Accounting Manager Paul Tysoe indicated that feedback was always requested on the day at these events and the feedback for the particular day referred to had been favourable. Venue choice was to an extent geographical, as the training involved personnel from two Pension Funds, the aim was for a venue was halfway between the two pension fund areas. In terms of cost, this depended on the topic and the number of advisers making presentations. **Action: The breakdown of the costs of the last four training days would be provided outside of the meeting.**

M
Oakensen

As agreed earlier in the meeting, **the training events schedule would in future seek to provide more information regarding the main topics for a particular training day. Action**

M
Oakensen

The officers were praised for the content of the report which kept the Board very well informed.

Councillor Payne highlighted that he would wish to attend the PLSA conference which was not currently included on the list. Action: The Head of Pensions indicated that his costs would be met from the Fund.

**Mark
Whitby
/MO**

It was resolved:

To note the report contents including the responses provided as appendices to the report.

126. DATA IMPROVEMENT PLAN PROGRESS REPORT

The Data Improvement Policy and Data Improvement Plan was established to demonstrate to the Pensions Regulator that the Fund reviewed the quality of its data and had an ongoing approach to ensuring appropriate processes were in place to consistently hold accurate data. This report presented progress against the Pension Fund Data Improvement Plan

The key issue discussed was around Member tracing and mortality screening. With the contract with Accurate Data Services having commenced in June 2019. Address tracing was expected to be completed by 30th November 2019 and mortality screening would be conducted monthly for the duration of the two year contract.

It was highlighted that 52,861 deferred, frozen, pensioner and dependant member records were submitted through the first stage of the tracing services. 11,429 members were confirmed as living at the address held by the Fund and 164 members were confirmed to have died. All of the 164 members identified had their pension payments suspended due to either a past payment being rejected by the bank, or post returned undelivered. In those cases the Pensions Service had not been able to establish contact with the member's representative. The remaining 40,063 members were processed against a specialist automated database and a further 19,255 members were confirmed as living at the address held and 6,850 members were confirmed as living at a new address. This left 13,958 cases to be manually traced. There were a further 1,205 records deemed unsuitable for the automated process.

6,078 of the 13,958 low confidence cases had been processed through the manual tracing process. 1,483 members were confirmed as living as stated, with 483 members confirmed as living at a new address and 43 members confirmed as deceased, of which only one pension was in payment, which had since been suspended.

Issues raised from the subsequent discussion included:

- Asking what was the procedure when people could not be traced. The approach was to look, where there was confidence that the address was the same, whether there had been any financial transactions / utility bills paid. Members that infrequently made financial transactions because they had no mortgage or utility bills in their name, fell into the categories of low confidence and were unlikely to be traced at their current address at any level of service.

- Whether power of attorney details where known, could be used to help. Pensions officers had to be very careful in this area as carers / power of attorney addresses were often different.

It was resolved:

To note the report.

127. RISK MONITORING

The Board was asked to review the current risks facing the Fund as set out in Appendix 1 of the report.

Officers of the Fund had reviewed the risk register and concluded that no risks had seen a change in impact or likelihood scores since the last review.

Changes highlighted were:

- Risk 12 'Pension Fund systems and data may not be secure and appropriately maintained' the proposal was to strengthen it following previous Board discussions regarding cyber risk and add the words 'including cyber risk' and to add to the mitigations that the training on Cyber Resilience and Data Protection was now mandatory for all LGSS employees.
- An addition as risk 26 on the register to highlight the potential risk of climate change on the value of the Fund's investments.
- As with the previous update, the risk to the Fund following the outcome of the McCloud judgement remained the same. As no decision was made prior to the 31st August 2019 cut off for actuaries to revisit their assumptions, there was a risk that the 2019 valuation of the Fund and each employer liability might be incorrectly valued resulting in the calculation of inappropriate contribution rates being set. It was therefore considered appropriate to highlight this as a short term risk for the Board to monitor.
- The political risk and uncertainty surrounding Brexit could have an impact on asset volatility in the short term, although this risk is outside of the control of the Fund, the Fund needed it was therefore appropriate to highlight this as a short term risk to be prepared for this volatility.

In discussion:

- A member suggested that on climate change it would be useful to have more information on how the risk would be tackled in terms of its effects on the Fund. Officers suggested that this could be achieved by providing an action plan. **Action**
- The same member suggested that both climate change and BREXIT

MO.

should be treated as permanent risks rather than short terms risks to track how they developed.

- One member referencing the earlier discussion on ESG risk, suggested a control needed to be added to risk 26 to include looking at managers voting status regarding their engagement on ESG. On the first bullet on the same risk reading 'Investment Managers are asked to take account of both financial and non- financial factors in their investment strategies' it was recommended that this should be strengthened with the word 'asked' replaced with 'required' **Action**
- An issue was raised regarding one of the Council's (Northamptonshire County Council) having been identified as working without an IT disaster back up protection plan and what the implications were for the Pension Fund data in the event of a major IT disaster. It was explained that the Pensions Service used external software with backup checked and monitored on a regular basis. In addition, member data could be accessed manually if required. **Action:** As a result of the issue being raised, the Head of Pensions felt that it was still appropriate **to send a letter on behalf of the Fund regarding seeking assurance regarding Northamptonshire's IT servers.** Any response received would be included in the Minute Action Log response.

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Mark
Whitby /
MO

It was resolved:

Having reviewed the current risks facing the Fund as set out in Appendix 1 to the report, the Board were content to agree with the officer conclusions as set out in paragraph 2.1 of the report subject to recommending the minor changes detailed above.

128. ANTI FRAUD AND CORRUPTION POLICY REVIEW

This report asked the Board to review the Anti-Fraud and Corruption Policy attached as Appendix 1 and recommend any changes to the Pensions Committee. Section 3.1 set out details of the key proposed changes.

In reply to questions it was confirmed that BACS payments were now undertaken by name and number and that no cheques were now issued to members.

It was resolved:

To support the changes to the Anti-Fraud and Corruption Policy set out in the report.

129. DIGITAL COMMUNICATIONS STRATEGY

This report presented the Draft 2019-20 Digital Communication Strategy for review before being presented to the Pension Fund Committee for approval in December. The document provided a proposed strategy for how the Fund would use communications technology to enhance stakeholder experience and reduce costs, where appropriate and find more engaging methods of

communicating with employers and members digitally. Currently those using the electronic portal to view their pension details had increased to 25-26%.

The Strategy:

- set out the key objectives, and outlined the confidentiality and disclosure commitments.
- how it was planned to implement the digital communications strategy and how success would be measured.
- details how the Fund planned to increase the use of digital communications to move to a policy of digital communications as standard. For Scheme members, this was to be facilitated through the increased use of members' online pension accounts to deliver benefit calculations and other documents. Bulk email and text messaging facilities would also be used to provide information to members and notifications that documents were available online.

Issues raised included:

- Querying how those members not comfortable with electronic communications would be kept informed? When the Pensions Service went over to electronic communications members were written to and it was explained that should members wish to continue to receive paper copies of their annual benefits statement they needed to request this in writing. In reply it was explained that members could opt out at any point and still receive paper communications. It was also pointed out in later discussion that the Digital Communications Strategy was just one part of a wider Communications Strategy. When new members joined they were given the choice of which format they wished to receive their communications in. **It was suggested that this ability to opt out needed to be made clearer in the Strategy. Action**
- **Page 143 (page 5 of document) under disclosure section 'text reading 'governance and then key documents – it was suggested that this text did not need to be in bold.**
- Page 144-145 (Page 6-7 of document) –It was explained that implementation of digital communication targets – the question was raised on whether there were measurable targets. It was explained that officers were currently benchmarking results to establish national response rates to be able to move forward with targets.
- An issue was raised regarding if a person died and there was no access to their computer by any other member of the household how would the Service know? The Service could see who had not accessed their statement and there was now a different system to keep track on Member mortality.

Cory
Bloose
(CB)

CB

It was resolved:

To recommend approval of the Strategy to the Pensions Committee with the changes suggested above.

130. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS

This report presented the Final Annual Report and Statement of Accounts of the Pension Fund for the 2018-19 financial year.

In the presentation it was highlighted that the County Council's External Auditor Ernst and Young had confirmed that the Accounts reflected a true and fair view of the financial position of the authority (and the Fund within it) and were free from material misstatement. As a result, the Accounts were officially signed off at the County Council's Audit and Accounts Committee on 31st July. At that meeting the Chairman, Councillor Shellens, complimented officers that they were the cleanest accounts he had seen in his five years as Chairman.

Questions raised in discussion included:

- Why the accounts were not signed off by the Chairman of the Local Pensions Board? The Accounts were signed off by the County Council's Audit and Accounts Committee Chairman while the Chairman of the Pensions Board signing off the Annual Report.
- **Page 164 (Page 8 of the document) table showing attendance at applicable meetings / training sessions** – in terms of the latter attendance this could be misconstrued that those with less attendance at training sessions (one had attended 11) than others had missed some. The member who had raised it, had attended all six presented to him as being useful to attend. Presenting the number of attendances on training sessions in this way was unhelpful. **Action: The Chairman suggested showing the number of credits gained than the number of training sessions might be more useful. Officers agreed to take this away and reword in future Annual Reports. Action**

Paul
Tysoe /
Ben
Barlow

It was resolved:

- a) To note the report.
- b) To place on record the Board's appreciation to all the pensions officers involved in producing such a good set of accounts.

131. ACCESS ASSET POOLING UPDATE

The Board considered an update on asset pooling.

Attention was drawn to paragraph 3.3 detailing the report considered by the ACCESS Joint Committee following correspondence from UNISON and pressure from Local Pension Boards on Scheme member representation, which had sought to have greater access to Joint Committee meetings, including staying for the confidential part of the meeting. The report conclusion guided by the Section 151 officers was that existing Authority representation on the AJC (via Elected Members) was still appropriate and that scheme member and employer involvement in Authorities' discharging their fiduciary duty

(including asset pooling) was a matter for each Authority to determine locally. Their recommendation being that no change should be made to the current arrangements. Following a vote on the above recommendation was agreed.

Barry O'Sullivan highlighted that there had been Unison representation at the meeting and that the vote was not as clear cut as was being suggested in the report summary, with some Pension Fund Committee chairman voting for the alternative. He also highlighted that in a discussion at the Local Government Conference the suggestion was that the direction of travel was towards scheme representation on pooled scheme boards. John Stokes stated that five out of eight pooled arrangements now included Scheme Member representation on their joint boards.

In discussion on this issue, the Board were still unanimous of their support for scheme member representation and felt aggrieved that they were being treated differently from other pooling arrangements and asking that further petitioning should be made on their behalf. The Head of Pensions supported the view for 1-2 observers from member representatives, but as the Joint Committee had voted on the recommendation of section 151 officers, it was very unlikely that it would change its mind in the short term and suggested there would need to be some change in the guidance to be able to raise it again. The officers suggested that when the ACCESS Joint Committee became in the small minority in not including member representatives, this would be the best time to re-open the issue.

The Investment Manager highlighted the benefits of future requests from Unison considering partnerships with other union bodies, such as GMB and how the observer representatives would engage and communicate with the wider membership and other participating partner scheme bodies.

In further discussion another anomaly highlighted was that while the Chairman could attend the confidential part of the Joint Committee meeting as an elected Councillor, if David Brooks the Vice Chairman became the Board Chairman, as a scheme member representative, he would not have the same right of attendance. The view was also expressed that by the time the Board saw the minutes, events had moved on and the summary provided in the report of the confidential section of the meeting was not sufficient. The current report did not include the full confidential minutes.

There was a request for the Board to be sent all future ACCESS Joint Committee meeting dates. Action Investment Manager / Democratic Services

P Tysoe to provide dates to R Sanderson to send out.

On the layout of the Access Joint Committee agenda and minutes it was highlighted that it appeared that there was no place or details of apologies / not present which was standard practice for minutes. Officers were asked to raise this as an issue. **Action: Investment Manager**

P Tysoe

It was resolved to:

- a) Note the asset pooling update;

- b) Note the minutes from the ACCESS Joint Committee meeting held on 21st June 2019.

132. REVIEW OF BOARD SIZE

At the May Board meeting, it was suggested that officers needed to consider future succession arrangements 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. At the July meeting, it was noted that maintaining the level of expertise on Local Pension Boards had also been raised as an issue at a recent pensions conference with discussion regarding appointing "Ghost" members / substitute members. In the requested review, officers were also asked to give consideration of whether it was possible to appoint by thirds, in the same way as district councils and whether the Board should be increased in size.

In response, the Board now received a review report from Democratic Services. This highlighted that:

- when the original recruitment exercise was undertaken in 2015 it had only attracted limited interest which was why Democratic Services had been very grateful that the three Service representatives had agreed to serve for another four years.
- While the size of the Board could be increased, the quorum requirements would also increase (one third of membership) as government guidance required any increase of Scheme representatives to be matched by an equal number of Employer representatives. Democratic Services were not confident that there would be sufficient interest to justify an increase in the Board at the current time, with it being highlighted that the advertising campaign to recruit the third non county councillor employer representative had only yielded one response.
- Whilst it would be possible to carry out a rolling programme of appointments, as all three Scheme Member representatives have been re-appointed to 2023, it was not seen as appropriate to ask any of them to step down early. The priority had to be to maintain the level of expertise currently available to the Board.
- Regarding ghost members appointments / substitute members, from past experience, interest was likely to be very limited, especially if the people recruited were not able to start almost immediately.

As a way forward, Officers 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 could be undertaken with a timescale as set out in section 3.1 of the report.

In discussion:

- A member queried the reference in the report stating that any change in the size of the Board would require reports to go through the Council's

Constitution and Ethics Committee and full Council as he believed that the Board was autonomous from the Council. It was explained that the Board like all others set up in 2015 had been set up within Councils' own constitution arrangements. For the County Council, any proposed changes to the Constitution e.g. changing the terms of reference or delegations of a Committee / body currently sitting within the Constitution, required the above approval process.

- On a point regarding that the terms of the reference and delegations being in different places in the Constitution, the Democratic Services officer confirmed this anomaly had been corrected back in July. He would be happy to send the link to the member / Board outside of the meeting. **Action**
- The point was made by the Pensions Officer that the Board currently worked very well compared to feedback he had received regarding other boards and advised caution on any proposal to increase its current size. The Chairman also did not support an increase, highlighted that the Council's current Pensions Committee was larger.
- The Board was still of the view that some form of staggered membership was required to ensure not all knowledge was lost at the same time should all members decide not to serve again when their term of office ended. To facilitate this the Vice Chairman indicated that he would resign in 2021.
- On the need to look for new ways to recruit and publicise the positive work of the Board, the suggestion was made that at the appropriate time officers could interview Members of the Board for articles for the monthly employer newsletter and Metro newsletter, as well as in the communications email sent to all members notifying them that their annual statement was available. **Future Action**

RVS

Cory Blose
/ Jo
Walton /
Democra-
tic
Services

It was resolved:

- a) Not to recommend increasing the size of the Board.
- b) For officers to investigate further the appointments of scheme member representatives by thirds.
- c) To undertake more effective promotion of the value of the work undertaken by the Board through appropriate Employer and Employee communications channels.

133. AGENDA PLAN

The Agenda Plan was noted with the updates agreed at the meeting.

In respect of terms of reference due to come forward to the January meeting, there was a request that the Board should see an early draft on suggested changes to enable them to comment and suggest any additional changes in advance of its publication. Action

Jo Walton
/ Michelle
Oakensen

Appendix to Minute 122 - Valuation of the Pension Fund

Employer Pooling

As discussed at the previous Board meeting, a consultation was conducted with two groups of employers who are pooled within either the Small Admitted Bodies pool or the Designating Bodies pool and responses collected from the employers.

There was a 40% response rate for the Designating bodies pool with 43% wishing for the pool to continue in its current form. 33% gave no preference and 24% supported disbanding the pool. As a result of this consultation, the Pension Fund Committee will be asked to approve a recommendation that the pool continue in its current form.

There are only 5 bodies in the small admitted bodies pool that will be continuing long term. Of these, only 3 responded. 1 respondent felt strongly that the pool should be disbanded with the other 2 respondents were less committal with one leaning towards disbanding the pool and another to continuing the pool.

As there is no consensus for either option, officers will be recommending to Committee that the pool be disbanded. This is because the remaining employers are not similar enough across various assessed attributes to support continued pooling. Each also has varied underlying funding position which will only continue to move farther apart if the pool continues.

On the secondary question over how the pool should be disbanded:

- a. With an equalised funding position for all
- b. With each employer leaving the pool with their own underlying funding position

There was no consensus either way. Based on their being no consensus for cross subsidisation upon disbanding the pool, officer will be recommending that each body retain its underlying funding position.

Review of Funding Strategy Statement

The Funding strategy statement is the policy document which details how each type of employer will be treated during the valuation and how their contribution rate will be calculated. This is reviewed and updated at each Fund valuation.

The document has been updated with recent regulatory changes and other minor changes to improve readability of the policy. There have also been updates to reflect proposed changes to:

- the methodology for assessing the contribution rates of long term Council employers
- employer pooling
- the pooling of ill health risk

- treatment of deficits and surpluses for exiting employers
- pass through admission arrangements
- cash flow attribution using unitisation through Hymans Employer Asset Tracker (HEAT)

The committee will be asked to approve the draft for consultation with employers, at its October meeting.

Valuation activities

All member and cash flow data has now been provided to the actuary and initial whole Fund valuation completed, the results of which will be presented to Committee in October. The actuary is now working on draft employer contributions based on the draft Funding Strategy Statement.

Cory Blose *MSc, BA (Hons)*
Employer Services and Systems Manager
LGSS Pensions Service

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 16th January 2020.

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 3rd May 2019						
96.	Cambridgeshire Pension Board Effectiveness Review Actions	Democratic Service	Democratic Services to review the terms of reference and the delegated authorities so that all Pension related Committee functions are included in one place.	Democratic Services liaising with Pension Officers, aiming to provide revised terms to the Board for the January meeting.	Ongoing.	Originally Jan 20 – reschedule to April 20.

Minute	Report Title	Action for	Action	Comments	Status	Due date
Minutes of 4th October 2019						
121.	Local Government Chronicle (LGC) Investment and Pension Summit Update	Mark Whitby	It was recommended that future Investment reports should include a copy of voting records to demonstrate ESG considerations.		Noted	When next relevant.

Minute	Report Title	Action for	Action	Comments	Status	Due date
121.	Local Government Chronicle (LGC) Investment and Pension Summit Update	Michelle Oakensen	It was suggested that the training programme schedule should have more information on its intended audience / what the aims of the conference / seminar were, where known. It was also suggested that the schedule should in future include a general note to the effect that where officers were the identified audience, this did not preclude members from attending.		Completed – training schedule updated.	
121.	Local Government Chronicle (LGC) Investment and Pension Summit Update	Michelle Oakensen	It was requested that once the new stewardship guidance code had been released from the government that it would be beneficial for a paper to be submitted to the Board to explain in more detail the guidance given to Fund Managers on ESG.		Completed – added to the forward agenda plan	April 2020
122.	Valuation of the Pension Fund	Democratic Services	Dawn Cave to be notified that David Brooks requested that in future, he should, like Councillor Payne and King receive hard copies of the Pension Committee agenda.	E-mail request sent following the Board meeting on 4 th October.	Completed	

Minute	Report Title	Action for	Action	Comments	Status	Due date
124.	Administration Performance Report	Michelle Oakensen	In discussion with reference to page 61 – ‘Management Expenses on the Total Governance Expenses’ - where it was stated that “Actuary fees were understated (McCloud)” there was a request for details of how much of the total was Actuary fees.	An explanation of the £83k variance would be provided in a note outside of the meeting, including how much of this was the additional actuary fees.	Completed – Sent 11 th December 2019.	
125.	Governance and Compliance Report	Michelle Oakensen	A breakdown of the costs for the last four training days that the Fund has held was requested.	It was agreed that the breakdown of the costs of the last four training days would be provided outside of the meeting.	Completed. – Sent 11 th December 2019. A further request for information on this matter is being investigated.	
125.	Governance and Compliance Report	Michelle Oakensen	It was requested that training events schedule would in future seek to provide more information regarding the main topics for a particular training day. In addition to this it was also requested that an agenda is provided before future information days to help determine whether it would be beneficial for individuals to attend the training event.		Completed – Training schedule updated. Noted – relevant team notified of the request requirement for an agenda well in advance of the training.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
127.	Risk Monitoring	Michelle Oakensen	A member suggested that on climate change it would be useful to have more information on how the risk would be tackled in terms of its effects on the Fund.	Officers suggested that this could be achieved by providing an action plan.	Noted – A full review of the risk register is scheduled for 2020/21 and this will be looked into at this time.	2020/21 (exact date to be confirmed)
127.	Risk Monitoring	Mark Whitby	An issue was raised regarding one of the Council's (Northamptonshire County Council) having been identified as working without an IT disaster back up protection plan and what the implications were for the Pension Fund data in the event of a major IT disaster.	<p>It was explained that the Pensions Service used external software with backup checked and monitored on a regular basis. In addition, member data could be accessed manually if required.</p> <p>As a result of the issue being raised, the Head of Pensions felt that it was still appropriate to send a letter on behalf of the Fund regarding seeking assurance regarding Northamptonshire's IT servers. Any response received would be included in the Minute Action Log response.</p>	<p>Completed – The Managing Director of LGSS confirmed that it is usual for there to be a time delay with back up of any system.</p> <p>The Business Continuity Plan is due to be fully reviewed and the systems aspects will be updated to ensure all aspects of IT disaster back up is addressed.</p> <p>The Local Pension Board will review the plan at the April meeting.</p>	March 2020

Minute	Report Title	Action for	Action	Comments	Status	Due date
127.	Risk Monitoring	Michelle Oakensen	Whilst referencing the ESG risk, on the first bullet on the same risk reading 'Investment Managers are asked to take account of both financial and non- financial factors in their investment strategies' it was recommended that this should be strengthened with the word 'asked' replaced with 'required'.		Completed – Amendment made.	
129.	Digital Communication Strategy	Cory Blose	It was suggested that the ability to opt out of electronic communications needed to be made clearer in the Strategy.		Completed. The Digital Communication Strategy has now been incorporated into the main Communication Strategy which is presented for review with these papers.	
129.	Digital Communication Strategy	Cory Blose	On page 5 of the document under disclosure section 'text reading 'governance and then key documents – it was suggested that this text did not need to be in bold.		Completed. The Digital Communication Strategy has now been incorporated into the main Communication Strategy which is presented for review with these papers.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
130.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	On page 8 of the document it was raised that the table showing attendance at applicable meetings / training sessions could be misconstrued. The Chairman suggested showing the number of credits gained than the number of training sessions might be more useful.	Officers agreed to take this away and reword in future Annual Reports.	Noted.	
131.	ACCESS Asset Pooling Update	Paul Tysoe & Democratic services	There was a request for the Board to be sent all future ACCESS Joint Committee meeting dates. It was agreed that Paul will provide this information to Democratic Services who will then circulate the invitations for future meetings.		Completed.	
131.	ACCESS Asset Pooling Update	Paul Tysoe	There was a request for future Access Joint Committee agenda and minutes to include; the place of the meeting and details of apologies from people who are unable to attend. It was highlighted that this is standard practice for minutes.		Noted.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
132.	Review of Board size	Democratic Services	On a point regarding that the terms of the reference and delegations being in different places in the Constitution, the Democratic Services officer confirmed this anomaly had been corrected back in July. He would be happy to send the link to the member / Board outside of the meeting.	E-mail with an attached copy of relevant extract from the revised Constitution sent to the Board on 19 th December.	Completed	
132.	Review of Board size	Joanne Walton/ Democratic Services	On the need to look for new ways to recruit and publicise the positive work of the Board, the suggestion was made that at the appropriate time officers could interview Members of the Board for articles for the monthly employer newsletter as well as in the communications email sent to all members notifying them that their annual statement was available.		Future action	
133.	Agenda Plan	Michelle Oakensen	In respect of terms of reference due to come forward to the January meeting, there was a request that the Board should see an early draft on suggested changes to enable them to comment and suggest any additional changes in advance of its publication.		Ongoing - E-mail asking for suggestions was sent 11 th October. This activity has been rescheduled to 2020 due to other work priorities.	By 30 th June 2020

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 10th October 2019

Time: 10.00am – 12.30pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: County Councillors P Downes, I Gardener, A Hay, T Rogers (Chairman), J Schumann, and M Shellens; Peterborough City Councillor D Seaton; Cambridge City Councillor R Robertson; Lee Phanco, Matthew Pink and John Walker

Officers: C Blose, D Cave, S Heywood, M Oakensen, J Walton and M Whitby

Actuaries: Robert McInroy and Peter Summers, Hymans Robertson

Observers: Cllr Simon King

Apologies: None

160. DECLARATIONS OF INTEREST

John Walker later in the meeting declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his daughter-in-law was a current member of the LGPS and (ii) his son was a deferred Member of the LGPS.

Matthew Pink declared a personal interest as both he and his wife were active members of the LGPS.

Councillor R Robertson declared a personal interest as his wife was a retired member of the LGPS.

161. MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD ON 25th JULY 2019

The minutes of the Pension Fund Committee meeting held on 25th July 2019 were approved as a correct record and were signed by the Chairman.

162. MINUTES ACTION LOG

The Committee noted the Minute Action Log.

It was confirmed that the revised Key Performance Indicators (KPIs) would be presented to the next Committee meeting in December.

163. EXCLUSION AND PRESS AND PUBLIC

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

164. VALUATION OF THE FUND

The Committee considered a report on the formal Valuation of the Fund by the Scheme Actuary. The triennial valuation was required by law, and also provided the Pension Fund with a valuable health check and indication of the direction of travel.

It was resolved unanimously to:

- 1) Note the Valuation update and Whole Fund valuation results.

It was resolved by a majority to:

- 2) Approve:
 - The approach to calculating the current funding level of the Cambridgeshire Pension Fund (section 3.1.6 of the report); *(Councillor Shellens abstained)*

It was resolved unanimously to approve:

- The Funding Strategy Statement for consultation (section 3.2.2) and for the final version to be considered by the Pension Fund Committee;
- The proposals for the continuation of the designating bodies pool (section 4.1.2);

It was resolved by a majority to approve:

- The disaggregation of the Small admitted bodies pool with each employer having a separately assessed funding position (section 4.2.3). *(Lee Phanco voted against this recommendation)*

The meeting returned to public session.

165. 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 a number of recent legal decisions which potentially impacted on the eligibility of surviving partners or same sex partners.

Equitable Life had proposed to 1) uplift the value of with-profits policies and convert to unit linked and 2) transfer its policies to Utmost Life and Pensions. The Cambridgeshire Pension Fund has 69 members with an AVC account with Equitable Life. Administering authorities, such as Cambridgeshire County Council, were being asked to vote on the proposal. Advice was being sought from Aon on this matter to inform on how the

administering authority should vote. Due to time constraints – the closing date for votes being 30th October 2019 – it was proposed that the Head of Pensions in conjunction with the Chairman and Vice-Chairman of the Pension Fund Committee decide on how the administering authority should cast its vote, based on the Aon advice.

Councillor Robertson objected to this proposal, pointing out that 69 scheme members could suffer as a result of the transfer, specifically the lack of guaranteed increases. In response, it was suggested that it was not possible to judge whether this was the case until Aon had undertaken their work on the reasonableness of the uplifts proposed.

Councillor Robertson proposed an amendment to the recommendations as follows: *“Oppose the Equitable Life transfer as a result of 69 members not having guaranteed increases”*. The amendment was seconded by Councillor Shellens. On being put to the vote, the amendment fell.

On a general point, it was suggested that a number of the Implications paragraphs at the end of this and other reports should more accurately specify e.g. *“There are no legal implications connected to the contents of this report in addition to those set out in the body of the report”*. Officers acknowledged this point and agreed to action this going forward.

Members noted the skills and training opportunities available. In response to a question regarding the LAPFF Annual Conference having previously been open to Committee Members, it was noted that this was still open to Members on request, but was now primarily aimed at officers. A Member advised that he had attended the “Introduction to the LGPS” course, and found it very useful.

There was a discussion around the rationale behind Training Credits allocated for each event, and it was noted that the Training Strategy would be reviewed in the near future, and this review would include the allocation of training credits.

It was resolved unanimously:

- 1) To note the content of the report;
- 2) To approve the recommendation for the Pension Fund Committee to delegate the decision on how to vote on Equitable Life’s Proposal to the Head of Pensions in conjunction with the Chairman and Vice Chairman (section 6.11 of the report).

It was resolved by a majority:

- 3) To approve the recommendation for the Pensions Fund Committee to delegate the choice of default investment strategy should the Equitable Life Proposal go ahead to the Head of Pensions in conjunction with the Chairman and Vice Chairman (section 6.12 of the report).

166. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2019/20

The Committee considered a Pension Fund Business Plan Update for the 2019-20

financial year.

Members noted the issues that had arisen with Western Union, regarding Proof of Existence for overseas pensioners. It had been agreed to instead use a certificate which overseas pensioners would need countersigned by a suitable government official.

Members noted that following the introduction of the end of contracting-out on 6th April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by HMRC. This exercise had been outsourced to ITM Limited. The next stage was to complete the rectification stage of the project, and this work was being progressed by ITM Limited. Additional resources were required for the final stage of the project, which involved ITM Limited cross referencing data in HMRC's final report on members they believe the Fund should have liability for. This work, which was not originally anticipated, would cost an additional £9,000. It was also proposed to purchase a one year license from Heywoods to obtain access to the interfaces that would facilitate the pension amendments required. The Cambridgeshire Fund's share of this purchase would be approximately £12,500.

It was resolved unanimously:

- 1) To note the Pension Fund Business Plan update for the period ending 30th September 2019 of the 2019-20 financial year;
- 2) To approve the additional expenditure proposed to complete the contracted-out liabilities reconciliation project (paragraph 2.2.4 of the report).

167. DATA IMPROVEMENT PLAN PROGRESS REPORT

The Committee considered a report detailing progress made against the Pension Fund Data Improvement Plan.

Members noted that 52,861 deferred, frozen, pensioner and dependent member records were submitted through the first stage of tracing. 40,063 were processed in the second stage, against a specialist automated database, and a further 19,255 members were confirmed as living at address held, 6,850 members were confirmed as living at a new address.

It was noted that a significant proportion of the 13,958 'low confidence' cases were likely to relate to situations where there was a bank account which did not have a high level of activity. Only one instance was found where a member had died and the pension was still in payment.

There was a discussion around carrying out an exercise, similar to that which had been carried out with Overseas Pensioners, where a lack of response resulted in pensions being suspended. It was suggested that this may be stretching the Anti Fraud and Corruption Policy, but officers were asked to consider how a sample exercise could be carried out. Officers agreed that they would review what could be undertaken within available resources. **Action required.**

It was noted that in line with a suggestion made by Mr Walker previously, the annual newsletter re-emphasised the responsibility of the Next of Kin to inform the Pension Service when a scheme member died, and a cut out slip was included in the newsletter which could be kept with pensioner's Will.

It was resolved unanimously:

To note the contents of the report.

168. ADMINISTRATION PERFORMANCE REPORT

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

There had been no material breaches during the period 1st May to 31st August 2019. In terms of non-material breaches, two annual benefit statements had not been issued to active members on time, but 24,512 were issued by the statutory deadline.

Members' attention was drawn to three Amber risks in the Key Performance Indicators for the period May to August. It was confirmed that the problem with the Pension Administration System that had subsequently been resolved.

Referring to the confidential appendix, it was noted that an invoice for administration charges had been raised following several late payments by a specific employer. There had no further late payments from this employer.

A Member suggested that it would be helpful to provide a comparison to previous years for the data on Disputes. Officers advised that this was a recent addition to the report, and agreed to include comparative data in future. **Action required.**

A Member observed that there were quite a few new late paying employers, and asked if there was a reason for this. Officers advised that there were unaware of any fundamental issues, and that two had been escalated to the employers' team for further action, whilst the rest would continue to be monitored.

It was requested that the amount of late payments in the confidential appendix be right-aligned in future reports. **Action required.**

It was resolved unanimously:

To note the Administration Performance Report.

169. RISK MONITORING – SIX MONTH REVIEW

The Committee reviewed the Risk Register and considered a number of proposed changes. Members were reminded that it had been agreed that the Pension Fund Board would monitor risks on a quarterly basis, whilst the Pension Fund Committee would review the Risk Register twice a year.

A number of changes had been applied to the Risk Register recently at the May Pension Fund Board meeting. At the October Pension Fund Board meeting, Members had agreed to look further at cybercrime risks, and to add Climate Change to the Risk Register.

A Member noted that the Risks “*Failure to respond to changes in economic conditions*” and “*Fund assets are not sufficient to meet obligations and liabilities*” were assessed as Red and Amber respectively, but the presentation by the actuaries on the Fund Valuation indicated this was not the case. It was agreed that these risks needed to be reviewed by the Pension Fund Board in light of the actuaries’ Valuation. **Action required.**

It was resolved unanimously:

1. To review the current risks facing the Fund;
2. To recommend that the Pension Fund Board reviews the Risk Register in light of recent changes.

170. REVIEW OF THE EFFECTIVENESS OF THE PENSION FUND COMMITTEE

Members received feedback on the results from the effectiveness review survey. It was noted that ten out of the eleven Pension Fund Committee Members had completed the survey. Appended to the report were the actions taken as a result of the 2017 review.

Members noted the areas identified for improvement, where more than one Member had highlighted the same concern, and the proposed actions to address those concerns.

A Member commented that there was insufficient interaction between the Pension Fund Board and Pension Fund Committee. It was noted that the Pension Fund Board had been set up in 2015, and was still evolving, but had a strong role in pre-scrutiny and post-scrutiny of items considered by the Pension Fund Committee. It was confirmed that any member of the Pension Fund Board was welcome to attend the Pension Fund Committee, and vice versa. In addition, both bodies reported annually to the County Council, and these reports could be shared. **Action required.** It was acknowledged that there was more that could be done to foster closer working. It was agreed that the Pension Fund Board’s Terms of Reference should be circulated to the Pension Fund Committee.

Action required. It was also suggested that the Pension Fund Board minutes could be circulated to Pension Fund Committee Members, and the recent report considered by the Pension Fund Board on communications could be circulated to Pension Fund Committee Members. **Action required.** In terms of communications with scheme members, it was noted that the team undertake regular feedback with scheme members, and anyone who had had contact with the team was surveyed. The Communications strategy would be considered further at a future meeting.

It was resolved unanimously to:

Note the feedback and approve the plan of action to improve the effectiveness of the Pension Fund Committee in the areas identified.

171. EMPLOYERS ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies and one scheduled body, and the cessation of twelve bodies.

Councillor Schumann declared an interest as a Director on the Board of Staploe Education Trust and withdrew from the meeting.

That the Pension Fund Committee:

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

- Edwards and Blake
- Easy Clean Contractors Ltd
- VHS Cleaning Services Ltd
- Caterlink
- CleanTec Services

2. Note the admission of the following scheduled bodies to the Cambridgeshire Pension Fund:

- St John the Baptist Catholic MAT

2. Note the cessation of the following admission agreements with the Cambridgeshire Pension Fund:

- Aspens (Brampton Village Primary)
- Aspens (Willingham Primary)
- Aspens (Staploe Ed Trust)
- Advanced Cleaning Services (Ridgefield Primary School)
- ABM Catering Limited (Morley Memorial)
- Coram Cambridgeshire Adoption Limited
- Improve IT Ltd
- Pabulum Catering Ltd (Cottenham)
- Pabulum (Ely College)
- Pabulum (Sawtry Junior Academy)
- Pabulum (Swavesey)
- TNS Catering (WASP Cluster 2)

172. ACCESS ASSET POOLING UPDATE

Members considered a report on ACCESS Asset Pooling.

Officers highlighted key points, including the appointment of Kevin McDonald as Interim Director of the ACCESS Support Unit, and the discussion around scheme member representations on the Joint Committee. It had been suggested that one or two scheme member representatives from Local Pension Boards sit on the Joint Committee. Section 151 officers had concluded that existing representation on the AJC via Elected Members was appropriate, and that scheme member and employer involvement in Authorities discharging their fiduciary duty, including asset pooling, was a matter for each Authority to determine locally. It was therefore agreed to retain the existing arrangements. It was also

noted that there was an ACCESS Pool representative group that met twice a year, and there were moves to enhance the role of this group.

Officers advised that good progress had been made in terms of sub funds for liquid assets, including both Dodge & Cox and JO Hambro, who represented a significant proportion of the Cambridgeshire Pension Fund's equity investments. The focus was now turning to illiquid assets and alternatives, including ACCESS solutions for private equity, infrastructure debt and property. A consultant had recently been appointed by ACCESS to lead on this process.

There was a discussion about how pooling arrangements potentially impacted on the Valuation of the Fund, in terms of maximising investment returns and reducing both administration costs and management fees. The actuaries advised that whilst this was considered, asset allocation was their primary concern. Members also discussed how the success of the pooling arrangements could be measured, noting that it was hard to compare e.g. management fees may have reduced without pooling.

It was resolved to:

- 1) Note the asset pooling update;
- 2) Note the attached minutes from the ACCESS Joint Committee meeting on the 11th June 2019.

Chairman

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board

31st January 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 is asked to note the Administration Performance Report
Enquiries to:	Joanne Walton, Governance and Regulations Manager jwalton@northamptonshire.gov.uk

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. Variances against the forecast of investments and administration expenses

- 2.1 The tables in **appendix 1** 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 March 2019.

3. Key Performance Indicators – LGSS Pensions

- 3.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 3.2 For the period 1st September to 31st December 2019 the Fund has met 18 out of 24 monthly targets. 4 of the 6 targets missed related to payment of retirement benefits from active status. The team responsible encountered vacancy, sickness and training issues, however, over the period in question volumes of payment of retirement benefits from *deferred* status, not currently reported as a KPI, were also very high, totalling 286 (compared to 336 retirements from active status). The aforementioned team issues have now been resolved, but as retirements from deferred status represent an ever-increasing area of responsibility as the Fund matures, a new KPI for this area of work will be introduced in 2020-21. Full KPI detail can be found in **appendix 2**.

4. Receipt of Employee and Employer Contributions

- 4.1 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 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 4.2 The table in **appendix 3** 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 1st December 2018 to 30th November 2019.
- 4.3 Details of late paying employers for August, September, October and November 2019 can be found in the **private and confidential appendix (appendix 4)** of the report.

5. Breaches of the Law

- 5.1 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 breaches that are deemed not to be of material significance and so are not reported to the Pensions Regulator.
- 5.2 For the period 1st September to 31st December 2019, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	Three Stage 2 Internal Dispute Resolution Procedure responses were not issued within the 2 month statutory deadline. The responsibility of stage 2 appeals rests with the Cambridgeshire County Council Monitoring Officer.	Processes have been put in place to ensure reminders are sent at appropriate intervals. The Monitoring Officer should issue an extension letter where justifiable to avoid future breaches of this nature.
	One non-payment of tax charge to HMRC in respect of Scheme Pay.	Internal processes have been reviewed to avoid a reoccurrence.

6. Internal Dispute Resolution Procedure

- 6.1 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.
- 6.2 In the period November to December 2019 the following activity occurred:

- Two new administering authority appeals were raised concerning a refund of contributions and a transfer out to an overseas pension scheme which at the time of writing are being considered by the stage 1 adjudicator.
- An administering authority stage 2 appeal concerning the recovery of an overpayment of pension was adjudicated on with an outcome of not upheld having been previously partially upheld at stage 1. The member has 3 years from the date of the initial decision to raise an appeal with the Pensions Ombudsman.

6.3 Further details of all administering authority decisions that have been appealed since 1st April 2018 can be found in **appendix 5**.

7. Overpayments of significance

7.1 One net overpayment of £10,026.38 in respect of the period 4th May 2017 to 28th February 2018 was identified resulting from a delay in notification of a scheme member's death. The next of kin advised of the death in March 2018 and the pension was immediately suspended.

7.2 The Section 151 Officer approved the recommendation to write off the overpayment based on the following reasons:

- The representative was written to once the death of the member had been identified but the correspondence did not detail the overpayment until the death certificate was received several months later at which time the estate had been finalised.
- The Tell Us Once Service was not operational at the time the member's death was registered due to technical issues which were with Northamptonshire County Council's IT service for resolution.

7.3 In light of this case, all letters now advise that there may be an overpayment to be considered in the process of settling the estate. Monthly reports from the Fund's provider of mortality screening service and a fully operational 'Tell Us Once service' ensure that vast majority of UK registered deaths of scheme members that are notified to the Fund promptly decreasing the risk of overpayments significantly.

8. Data Improvement

8.1 Data Audit 2019

8.1.1 The 2019 independent data audit has recently concluded. The common and scheme specific data scores that have been reported to the Pensions Regulator on the annual mandatory scheme return are detailed in the table below alongside the scores for 2018.

Type of data	2019	2018
Common	81%	82%
Scheme-specific	73%	73%

8.1.2 A number of data improvement activities were under-taken during the period between the two audits and have been reported to the Pension Fund Committee during the course of the year.

- 8.1.3 Those activities will have contributed to the improvement in both sets of scores, but the increase in the number of unprocessed leavers which the Cambridgeshire Pension Fund, which Officers feel are appropriate to report to the Pensions Regulator as both common and scheme specific data fails, has offset these improvements.
- 8.1.4 The increase in unprocessed leavers was as a direct consequence of over 1,500 suspected leavers being identified through year end processing. This increased our business as usual casework volume to circa 7,000, considerably above the expected baseline volume of 2,500 to 3,000 unprocessed leavers. For the majority of these cases the Fund has not been provided with a leaving certificate. Resource assigned to unprocessed leavers has been increased in this area to stabilise Business as Usual (BAU) volumes and to bring this outstanding BAU volume down to expected baseline volumes.
- 8.1.5 It should also be noted that the data used to calculate the data scores was taken before the results from the mortality and address tracing project has concluded. It is expected that once the results of this project have been fully verified that the quality of the member address data will have improved which will be reflected within the common data scores.
- 8.1.6 In addition, it is expected that that the conclusion of the contracted-out reconciliation project, currently scheduled for March 2020, will further increase the quality of the scheme specific data scores.
- 8.1.7 The next step will be to examine the individual member results of the 2019 data audit and present to the Pension Fund Committee a re-baselined data improvement plan for 2020/21.

8.2 Data Improvement Plan 2019/20 – progress update

8.2.1 Resolution of unprocessed leaver records

Purpose of activity: To process all the unprocessed leaver benefits in accordance with the member's entitlement under the Local Government Pension Scheme (LGPS) regulations.

Original timescale for action: 01/01/2019 – 31/12/2020

Revised timescale for completion: 01/01/2019 – 31/03/2021

Update: This update only refers to the ring-fenced backlog unprocessed leavers. Business as usual cases are being brought down to baseline volumes utilising internal resources.

From the baseline position 2,294 (39%) backlog unprocessed leaver cases have now been completed.

Category	Total
Baseline (July 2018)	5,823
December 2019	3,529

Future milestones: Please refer to table below.

Activity description	Start Date	Due Date	Completed	Comments	RAG Status
Process approx. 1,000 Multi Deferred Benefits (DB) cases.	May 19	End Mar 20		Being processed by Aon Hewitt. Completion date pushed back from Jan 20 to Mar 20 as circa 90% of cases have queries.	A
Process other backlog cases alongside BAU	Aug 19	Mar 20		Using available internal resource. Completion date pushed back due to BAU volume.	A
Design and implement processing solution for remaining backlog	Mar 20	Mar 21		Commencement date pushed back to fit with precursor activities	A

8.2.2 Contracted-out liabilities reconciliation

Purpose of activity: To compare contracted-out liabilities held on scheme records with that held by Her Majesty's Revenue and Customs (HMRC).

Original timescale for action: All queries to be submitted to HMRC by 31/12/2018 – completed.

Revised timescale for completion: HMRC are still in the process of resolving queries, despite previous targets dates for completion of April and June 2019.

Update: Officers have recently processed a number of queries in response to HMRC's processing of the queries initially raised with them. This will facilitate the rectification stage of this exercise as well as the final data file that HMRC will issued confirming the final contracted-out liability held by the Cambridgeshire Pension Fund. This file was expected to be ready for issue by the end of 2019. On 9th January 2020, HMRC issued a statement confirming a delay in issuing the final data file for all UK pension schemes. Further information is awaited from HMRC on this matter (see 8.2.3).

Future milestones: Awaiting further information from HMRC.

8.2.3 Contracted-out liabilities rectification

Purpose of activity: To correct any variances to pensions in payment as a result of the activity detailed in 8.2.2.

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. At the time of writing it is unknown as to when the final data file will be received from HMRC to begin the rectification to pensions in payment.

Future milestones: Awaiting further information from HMRC but this activity is now not expected to begin until 2020-21.

8.2.4 Member tracing and mortality screening

Purpose of activity: To ensure all membership records where a liability is held has a current home address or is marked as gone away where attempts to trace the member have been unsuccessful (excluding active members as the employer is required to update the Fund with changes of address).

Timescale for action: The contract with Accurate Data Services commenced in June 2019. Address tracing was initially expected to complete by 30 November 2019 and mortality screening will be conducted monthly for the duration of the 2 year contract.

Update: For those members where automated tracing confirmed a current of new address but with a low level of confidence, a more manual approach to tracing is currently being undertaken and is not expected to conclude until early 2020.

A verification process is also currently in progress to ensure those members for whom a new address has been identified but without complete confidence are at the new address supplied. This process involves members being contacted at the new address for them and invited to follow a secure robust process to confirm their identity and address. This process will conclude in March 2020.

9. Chartered Institute of Public Finance and Accountancy (CIPFA) Benchmarking

- 9.1 The Cambridgeshire Pension Fund participated in the 2019 CIPFA Benchmarking exercise alongside 29 out of a potential 87 LGPS funds in England, Wales, Scotland and Northern Ireland. The other participating funds, vary in size of total membership and 3 out of the 29 funds have outsourced their administration.
- 9.2 The high level results of this annual exercise show that the net administration cost per member of the Cambridgeshire Pension Fund is £14.09 per annum compared with the group average of £21.34 per annum. The Fund net administration cost per full time equivalent member of staff is £50.1k per annum compared with the group average of £71.8k per annum.
- 9.3 Further detailed information on this exercise is available upon request.

10. Employers Admissions and Cessations

- 10.1 The following admission bodies have been admitted to the Cambridgeshire Pension Fund:
 - ABM Catering Limited
 - Caterlink
 - Easy Clean
 - Hertfordshire Catering Service (HCL)
 - Nightingale Cleaing Limited
 - Pabulum Limited
- 10.2 The following scheduled body has been admitted to the Cambridgeshire Pension Fund:
 - Our Lady of Walsingham Catholic Multi Academy Trust (MAT).

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

- Aspens (The Weatherall's Primary School)
- Edwards and Blake (New Road Primary School)
- Pabulum (Downham Feoffes Primary)
- YMCA Trinity Group

11. 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>

12. Risk Management

12.1 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.

12.2 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
5	Information may not be provided to stakeholders as required.	Green
7	Those charged with governance are unable to fulfil their responsibilities effectively	Green
16	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making	Green

12.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: <https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Register.pdf>

13. Communication Implications

Direct communications	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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14. Finance & Resources Implications

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

15. Legal Implications

15.1 Not applicable

16. Consultation with Key Advisers

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

17. Alternative Options Considered

17.1 Not applicable

18. Background Papers

18.1 Not applicable

19. Appendices

- 19.1 Appendix 1 Variances against the forecast of investments and administration expenses
- 19.2 Appendix 2 Key Performance Indicators – LGSS Pensions
- 19.3 Appendix 3 Receipt of Employee and Employer Contributions
- 19.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)
- 19.5 Appendix 5 Internal Dispute Resolution Procedure – Administering Authority appeals

Checklist of Key Approvals

Has this report been cleared by Head of Pensions?	Mark Whitby – 17 th January 2020
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Appendix 1 – LGSS Pensions Administration Report

Variances against the forecast of investments and administration expenses – based on original setting of assumptions

Fund Account	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	131,000	131,000	0	
Transfers in from other pension funds	4,200	4,200	0	
Total income	135,200	135,200	0	
Benefits payable	-105,000	-105,000	0	
Payments to and on account of leavers	-9,100	-9,100	0	
Total Payments	-114,100	-114,100	0	
	21,100	21,100	0	
Management Expenses	-10,040	-8,248	-1,792	See analysis below.
Total income less expenditure	11,060	12,852	-1,792	
Investment income	36,000	36,000	0	
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	84,000	84,000	0	
Net return on investments	120,000	120,000	0	
Net increase/(decrease) in the net assets available for benefits during the year	131,060	132,852	1,792	

Management Expenses	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	2,930	3,065	-135	See analysis below.
Total Governance Expenses	550	550	-	
Total Investment Invoiced Expenses	6,560	4,633	1,927	Expenses relating to assets transitioned to the asset pool have now been removed as expenses not invoiced.
Total Management Expenses	-10,040	-8,248	1,792	

Administration Expenses Analysis	2019-20 Estimate	2019-20 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,400	-1,400	0	
Altair System and payroll system	-310	-310	0	
Data Improvement Projects	-440	-540	-100	Undecided leavers project understated.
Communications	-30	-30	0	
Other Non-Pay and Income	-120	-120	0	
County Council Overhead Recovery	-630	-665	-35	External overheads have increased
Total Administration Expenses	-2,930	-3,065	-135	

Appendix 2 - Key Performance Indicators – LGSS Pensions December, October, November and December 2019

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments Service Level Agreement (SLA)
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%	September: 261 October: 193 November: 321 December: 283	248 180 298 180	13 13 28 103	95 93 93 64	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not 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%	September: 68 October: 47 November: 63 December: 27	61 38 48 24	7 9 15 3	90 81 76 89	Amber Amber Amber Amber	SLA target not met** SLA target not met** SLA target not met** SLA target not met**
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	September: 22 October: 23 November: 15 December: 26	22 23 15 24	0 0 0 2	100 100 100 92	Green Green Green Amber	SLA target met SLA target met SLA target met SLA target not 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%	September: 61 October: 68 November: 90 December: 89	61 66 86 84	0 2 4 5	100 97 96 94	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	September: 13 October: 24 November: 42 December: 30	13 24 41 30	0 0 1 0	100 100 98 100	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%	September: 7 October: 11 November: 6 December: 3	7 11 6 3	0 0 0 0	100 100 100 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

*Notify leavers of deferred benefit entitlement - high volume of work and a backlog of checking has resulted in an amber rating for December. A member of the team is now allocated to checking to ensure the target is met going forward.

** Payment of retirement benefits from active employment – Please see section 3.2.

*** Award dependents benefits – high volume of checking as a result of increased overall activity within the team has resulted in an amber rating for December. Resource has been reallocated to address the increased volume.

- 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 3 - 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
December 2018	99.3	0.7	99.4	0.6
January 2019	99.8	0.2	99.6	0.4
February 2019	100	0	99.6	0.4
March 2019	99.4	0.6	98.4	1.6
April 2019	98.5	1.5	97.0	3.0
May 2019	97.6	2.4	98.0	2.0
June 2019	99.6	0.4	100	0
July 2019	98.7	1.3	95.9	4.1
August 2019	98.3	1.7	99.6	0.4
September 2019	100	0	98.3	1.7
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
Average for period	99.0	1.0	98.5	1.5

Appendix 5 - Internal Dispute Resolution Procedure - Administering Authority appeals

Year of initial decision	Case reference	Description of appeal	Date Stage 1 appeal lodged	Decision of Stage 1 appeal	Date of Stage 1 decision	Date Stage 2 appeal lodged	Decision of Stage 2 appeal	Date of Stage 2 decision
2018/19	1GCPF	Dispute on rules regarding trivial commutation of spouses pensions	26/07/2018	Not upheld	19/09/2018			
	2FCPF	Dispute regarding recovery of overpayment of pension	19/11/2018	Partially upheld	25/01/2019	31/01/2019	Not upheld	05/08/2019
	3WCPF	Dispute on rules regarding transfers out	03/12/2018	Not upheld	29/01/2019	18/02/2019	Not upheld	15/05/2019
	4HCPF	Dispute regarding recovery of overpayment of pension	15/01/2019	Partially upheld	19/03/2019	20/05/2019	Not upheld	29/11/2019
	5WCPF	Dispute regarding recovery of overpayment of pension	28/01/2019	Upheld	28/03/2019			
	6MCPF	Dispute regarding recovery of overpayment of pension	07/02/2019	Partially upheld	08/05/2019	07/06/2019	Not upheld	09/08/2019
2019/20	7SCPF	Dispute on rules regarding refund of contributions	21/11/2019	In progress	In progress			
	8FCPF	Dispute regarding transfer out to an overseas pension scheme	05/12/2019	In progress	In progress			

CAMBRIDGESHIRE PENSION FUND



Pension Fund Board
Date: 31st January 2020
Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2019/20
Purpose of the Report	To present the Pension Fund Business Plan Update for the period from 1 st September to 31 st December 2019 to the Pension Fund Board.
Recommendations	The Pension Fund Board is asked to note the Pension Fund Business Plan Update for the period ending 31 st December 2019 of the 2019/20 financial year
Enquiries to:	Mark Whitby, Head of LGSS Pensions mwhitby@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Committee on a regular basis. This update highlights the progress made on the key activities for the period up to 30th September 2019 of the 2019/20 Business Plan, which was approved by the Pensions Committee on 28th March 2019.
- 1.2 A full list of the key activities for the 2019/20 financial year can be found in appendix 1 of this report.

2. Key Pension Fund Activities

2.1 Service Delivery (SD)

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
SD1	Monitor staffing levels in line with organisational reform	✓G					
SD2	Retain Customer Service Excellence standard accreditation		✓G			✓	

2.1.1 SD1 - Monitor staffing levels in line with organisational reform

Action: Keep under review the ability to recruit and retain staff during the forthcoming period of organisational reform with regards to the future shape of LGSS and local government in Northamptonshire anticipated in 2021. The Pension Fund Committee will be kept informed of all developments in this area.

Update: Vacancy levels are below historic levels with most areas now effectively at full establishment. A report on local government reorganisation, and the potential impact of the Fund, will be brought to the Board in due course.

Key Milestones:

All actions to be completed for Q1 to Q4 April 2019 to March 2020 – **On target for completion date.**

2.1.2 SD2 – Retain Customer Service Excellence standard accreditation

Action: Retain Customer Service Excellence (CSE) Standard accreditation and develop and implement Action Plan from feedback received.

Update: The full CSE review which took place in August 2019 identified a number of “areas for continuous improvement” which officers will focus on to retain the compliance in these areas. Also highlighted were a number of “areas of strength” which will also be focused on to further strengthen compliance ratings to that of compliance plus.

An action plan has been developed to achieve both continued compliance and additional compliance. In total there are 12 key areas being reviewed including; customer insight, satisfaction levels, monitoring and maintaining internal standards, key departmental and performance targets and communication to customers.

The plan will continue to be implemented until the end of the financial year, at which point information will be submitted for the re-assessment in June 2020.

Key Milestones:

- Full assessment Q2 August 2019 – **Completed.**
- Develop and implement action plan Q3 November 2019 – **Completed.**

2.2 Governance and compliance (GC)

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
GC1	Procure a supplier of specialist legal advice		✓G				
GC3	Obtain proof of continued existence of scheme members residing overseas		✓G				
GC5	Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution providers		Completed				

GC7	Complete the Guaranteed Minimum Pension reconciliation project with rectification of members records	✓A	✓	
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2.2.1 GC1 – Procure a supplier of specialist legal advice

Action: The Fund needs to procure its own supplier of Legal Services that has a specialism in pensions and investment law. As such the National Local Government Pension Scheme (LGPS) Framework for Legal Services will be used to conduct the procurement to avoid a full Official Journal of the European Union (OJEU) procurement process. It is proposed that the procurement is undertaken jointly with Northamptonshire Pension Fund to benefit from economies of scale as has been achieved with other joint procurements.

Update: An Invitation to Further Competition was developed and issued in November 2019. Responses were scored in December 2019 with the contract due to be awarded January 2020. The new contract will be effective from 1st February 2020 for 3 years plus a 1 year possible extension.

Key Milestones:

- Produce specification Q3 September 2019 – **Completed.**
- Publish tender Q3– **Completed.**
- Award contract – **Contract to be awarded at the beginning of Q4.**

2.2.2 GC3 - Obtain proof of continued existence of scheme members residing overseas

Action: The Fund's Anti-Fraud and Corruption policy states that an exercise will be undertaken to prove the continuing existence of scheme members residing overseas every 2 years, to ensure pensions continued to be paid to the correct and eligible recipient.

Update: Proof of Existence certificates were issued to all overseas pensioner members with the need for the certificate to be witnessed in the presence of a suitably qualified professional and returned by 30th November. Members who did not return the completed certificate by this date were sent a reminder letter and given until the 10th January to respond.

13 out of 270 members did not complete the process and so their pensions have been suspended until contact has been re-established. Investigation into sourcing a supplier of overseas tracing services will take place in 2020/21.

Key Milestones: (amended due to change in process)

- Prepare communications to members Q2 September 2019 – **Completed.**
- Commence process with members Q3 November 2019 – **Completed.**

2.2.3 GC7 - Complete the Guaranteed Minimum Pension reconciliation project with rectification of members' records

Action: Following the introduction of the end of contracting-out on 6th April 2016, it was necessary for all pension schemes to reconcile their scheme members' contracted out liability against that recorded by Her Majesty's Revenue and Customs (HMRC). Failure to record the correct data for individual scheme members could result in schemes having to pay benefits in respect of members for which they do not have a liability. The Fund outsourced the reconciliation stage of this project to ITM Limited and it was estimated to complete in April 2019 when HMRC had responded to all queries that have been raised. The next stage would be to rectify any errors with the data held by the Fund.

Due to the number of member records estimated to require rectification, it was proposed that ITM Limited will be procured jointly with Northamptonshire Pension Fund via direct award from the National LGPS Framework for Third Party Administration Services to complete this stage.

Update: As reported in the Administration Report, HMRC have not issued the final file of data that was expected in December 2019 that allows the project to move into the rectification stage. HMRC issued a statement on 9th January 2020 confirming the delay in issuing the final file of data to all pension schemes with further information to follow.

Key Milestones: (amended due to delays with HMRC)

- Completion of reconciliation stage was scheduled for Q1 April 2019 but is still ongoing due to delays with processing queries by HMRC – **Ongoing / Pending final HMRC data file.**
- Direct award contract for rectification Q1 April 2019 – **Completed.**
- Planning and testing, verification of results Q1-Q4 April 2019 to February 2020 – **Delayed due to delayed final data file from HMRC. This activity is now expected to extend into 2020/21 dependant on when the file is issued.**

2.3 Communications, Systems and Employer Management (CSEM)

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
CSEM2	Develop and implement a digital communications strategy	✓A					
CSEM4	Implement monthly data collection for all employers	✓A				✓	
CSEM5	Manage the 2019 valuation	✓G					

2.3.1 CSEM2 - Develop and implement a digital communications strategy

Action: In order to better engage with members and employers, improve efficiency, data security and reduce costs the Fund requires a digital communications strategy. This will set the Fund's approach to using digital communications channels to engage with scheme members and employers. It will provide detail on the Fund's digital communication objectives, what communication channels will be used to achieve these objectives and in what circumstances. It will also provide guidance on best practice for such communications.

Update: The digital communication strategy was presented to the Pension Fund Committee on 14th January 2020 for approval following prior review by the Board. The outcome will be updated verbally due to the publishing deadlines.

Key Milestones:

- Induct new Communications Officer into the team Q1 April to May 2019 – **Completed.**
- Set the objectives for digital communication Q1 May 2019 – **Completed.**
- Produce the digital communication strategy Q2 June to July 2019 – **Completed.**
- Pension Fund Committee to approve the digital communication strategy Q3 October 2019 – **On target for completion date (if the strategy is approved).**

2.3.2 CSEM4 – Implement monthly data collection for all employers

Action: The Fund needs to collect and hold up to date, accurate records of members benefits to respond to the number of members using their online pension account to monitor their current pension benefits and obtain pension estimates. This requires the monthly collection of member data from employers. Some large employers already use i-connect to submit their data on a monthly basis, but, this must be rolled out to all employers. Monthly data will improve the efficiency of the data collection process, provide improvements in the quality of data received and improve the service provided to scheme members.

Update: All existing small employers have received training on using the new online portal for providing data on a monthly basis. Due to a number of staffing issues the on-boarding of i-connect for some small employers has fallen behind schedule, a verbal update will be provided at this meeting to clarify the revised timescale for this activity.

The team are working with the remaining large employers to develop their i-connect extracts and bring them on-board by 31 March 2020. A training and Question and Answer (Q&A) session was held for these employers at our employer forum in December.

Key Milestones:

- Cease issuing old data collection interfaces to new employers Q1 April 2019 – **Completed.**
- Migrate existing small employers to the online i-connect portal Q1-Q3 April to December 2019 – **Not on target for completion, revised timescale to be confirmed.**
- Migrate existing large employers to monthly i-connect extract Q2-Q3 September to November 2019 – **Rescheduled to Q4.**

2.3.3 CSEM5 – Manage the valuation

Action: The Fund must be valued on a triennial basis with employer contribution rates set for the following 4 years. The last valuation was carried out in 2016 and the current valuation will be carried out as at 31st March 2019 with whole Fund results issued in the summer of 2019 and individual employer results and contribution strategies issued in the winter. The new rates will come into effect from 1st April 2020.

Update: The valuation is on target for completion. A full update is being provided as part of the agenda at this meeting.

Key Milestones:

- Carry out pre-valuation data activities Q1 April to June 2019 – **Completed.**
- Actuary carry out the Valuation Q2 July to August 2019 – **Completed.**
- Draft the Fund's Funding Strategy Statement Q2 September 2019 – **Completed.**
- Funding Strategy Statement to be approved by the Committee Q3 October 2019- **Completed.**
- Issue whole Fund valuation results Q3 October 2019 – **Completed.**
- Issue individual employer results Q3 2019 November 2019 – **Completed in December.**
- Publish Valuation Report Q4 March 2020 – **On target for completion date.**

2.4 Operations (OPS)

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
OPS1	Processing of undecided leavers	✓A					
OPS2	Design a range of customer experience key performance indicators	✓G					

2.4.1 OPS1 – Processing of undecided leavers

Action: The Fund has a number of undecided leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award.

Update: A full update is provided in the Administration Report. From the baseline position of 5,823 cases as at July 2018, 2,294 cases (39%) have now been completed, leaving 3,529 remaining.

The Multi Deferred Benefit (DB) cases being processed by Aon are requiring considerably more activity than estimated, including a number of process changes to ensure appropriate validation checks. This has increased the length and cost of this variable cost project by £100k, but the project has now been moved to a fixed cost to ensure no further increases. Aon have agreed to absorb significant costs to reach this figure. The Chairman of the Pension Fund Committee was advised of these increased costs, enabling the project to proceed.

Key Milestones:

- Process approx. 1,000 Multi DB cases - Q4 Mar 2020 – **On target for revised completion date.**
- Process other backlog cases alongside Business as Usual (BAU) - Q4 Mar 2020 - **On target for revised completion date.**
- Design and implement processing solution for remaining backlog – Q4 Mar 2021 – **On target for completion date.**

2.4.2 OPS2 – Design a range of customer experience key performance indicators

Action: The Fund's current KPIs focus on the performance of the scheme administrator. As part of improving customer excellence, the Fund is committed to understand and report on the customer experience associated with key casework procedures.

Update: The development stage has been extended to ensure that the work-flow system produces accurate results on the members' experience. The findings will be reported at the April 2020 meeting.

Key Milestones:

- Design the process of reporting the KPIs Q1 – Q2 April 2019 to September 2019 – **Completed.**
- Identify the processes which will be evaluated first Q3 October to December 2019 – **Completed.**
- Delivery of first customer journey KPIs Q4 January to March 2020 – **On target for completion date.**

2.5 Investments and fund accountancy (IA)

Reference	Key action/task	2019/20				Medium Term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
IA2	Implement the strategic asset allocation		✓G				
IA6	Implement online payment platform for employers' contribution payments		✓A			✓	
IA8	Tender for an independent adviser			✓A			
IA10	Consider multi-fund investment strategies	✓G		✓G		✓	
IA11	Implement the Local Economic Development Fund		Completed				

2.5.1 IA2 – Implement the strategic asset allocation

Action: The 14th February 2019 Investment Sub Committee (ISC) agreed the asset allocation changes to be presented to the 28th March Pension Fund Committee for approval and adoption. The implementation of the revised strategic allocation is as follows.

Update: At the ISC held on the 21st November, it was agreed to allocate 5% of the Fund's active equities to an Emerging Markets (EM) manager as and when a suitable manager is appointed to the ACCESS ACS, with the remaining 30% divided equally between Dodge & Cox, JO Hambro and a new allocation to Longview Partners. Pending appointment of the EM manager, an overweight position of 12.5% will be held in each of Dodge & Cox and JO Hambro. It is expected that the EM manager will be appointed to the ACCESS ACS later 2020/21.

The review of fixed income was considered by the ISC in November 2019. Timing of implementation will be dependent on the identification of a suitable manager and their availability in the ACCESS ACS.

Key Milestones:

- Implement infrastructure mandates Q2 July to September 2019 – **Completed.**
- Implement revised equity mandates Q3 October to December 2019 – **Global equity manager transition to be completed in Q4 and EM manager in 2020/21**
- Review fixed income strategy Q3 October to December 2019 – **Completed.**

2.5.2 IA6 – Implement online payment platform for employers' contribution payments

Action: To implement an online payment platform for receiving contribution payments more efficiently into the Pension Fund bank account. This platform will enable online input, validation and payment of scheme employer contribution payments as well as auto-reconciliation of the payments once received. Design and implementation of the payment solution commenced in the 2018-19 year as an additional activity to the Business Plan.

Update: It has been decided that there is no business need to include a facility for scheme employers to make monthly pension contributions by card and so having proved that payment by BACS with a pilot group of scheme employers has been successful this facility will be launched in April 2020.

Key Milestones:

- Implementation of solution Q1 April to June 2019 – **Completed.**
- Platform live with test party Q2 July to September 2019 – **Completed.**
- Launch platform to all employers Q3 October to December 2019 – **Rescheduled to Q1 2020/21.**

2.5.3 IA8 - Tender for an independent adviser

Action: It is proposed, subject to agreement of the Committee, to procure an independent investment adviser for the Fund. Northamptonshire Pension Fund has an existing arrangement which expires in January 2020 therefore it is proposed to share procurement costs in a joint exercise to coincide with Northamptonshire's re-tender process.

Update: Officers are working towards issuing a specification for the independent adviser role in Q4. The procurement has been separated from the Northamptonshire Pension Fund (NPF) as NPF has decided to extend the existing adviser's contract by twelve months.

Key milestones:

Undertake tender Q3 October to December 2019 – **Rescheduled to Q4.**

2.5.4 IA10 – Consider multi-fund investment strategies

Action: Following the introduction of HEAT, the Hymans Employer Asset Tracker, and the Committee agreed to consider the introduction of multiple investment strategies that could take account of the varying requirements of different classes of scheme employer.

A proposal will be brought to the Committee alongside the Funding Strategy Statement as part of the triennial valuation process. This would include a proposed implementation timeframe.

Update: It was originally planned for a proposal to be taken to the Committee as an integral part of the 2019/20 triennial valuation process. Based on revised professional advice, this activity has been rescheduled to take account of the individual employer positions/results arising from the valuation process, with a proposal being developed for consideration by the Committee in June 2020. The milestones below have been updated accordingly.

Key milestones:

- Initial actuarial advice on multiple investment strategies Q3 2019/20 – **Received.**
- Develop proposal with professional advisors Q4 2019/20 to Q2 2020/21 – **On track for revised target date.**
- Multi-fund investment strategy to be put forward for approval by the Pension Committee June 2020 – **On track for revised target date.**
- Communication and implementation of multi-fund investment strategy Q2 2020/21 to Q4 2020/21 - **On track for revised target date.**
- Multi-fund investment strategy live 1 April 2021 - **On track for revised target date.**

3. Relevant Fund objectives

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

4. Risk Management

- 4.1 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.
- 4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

Risk No.	Risk	Residual risk rating
7	Those charged with the governance are unable to fulfil their responsibilities effectively	Green
13	The scheme would not be administered in line with regulations and guidance	Green
15	Pension Fund objectives not defined and agreed	Green

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

5. Communication Implications

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

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

7. Legal Implications

- 7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable

10. Background Papers

- 10.1 Annual Business Plan and Medium Term Strategy 2019/20 – <https://cambridgeshire.cmis.uk.com/ccclive/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/954/Committee/16/Default.aspx>

11. Appendices

- 11.1 Appendix 1 – Full list of Key Fund Activities for the 2019/20 financial year.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 09/01/2020

Appendix 1 – Full list of Key Fund Activities for the 2019/20 financial year.

Service Delivery

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
SD1	Monitor staffing levels in line with organisational reform	✓G					
SD2	Retain Customer Service Excellence standard accreditation		Completed			✓G	

Governance and Compliance

		2019/20				Medium term	
Reference	Key action/task	Q1	Q2	Q3	Q4	2020/21	2021/22
GC1	Procure a supplier of specialist legal advice		✓G				
GC2	Procure a supplier of mortality screening and member tracing services and process results	Completed					
GC3	Obtain proof of continued existence of scheme members residing overseas		✓A				
GC4	Re-procurement for administration and payroll system					✓G	
GC5	Deliver actions stemming from the review of the Fund's Additional Voluntary Contribution providers	Completed.					
GC6	Scope potential liability reduction exercises				✓G		
GC7	Complete the Guaranteed Minimum Pension reconciliation project with rectification of members records	✓A					

Communications, Systems and Employer Management

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
CSEM1	Incorporate employer covenant monitoring into the valuation cycle	Completed					
CSEM2	Develop and implement a digital communications strategy	Completed					
CSEM3	Review cyber resilience				✓G		
CSEM4	Implement monthly data collection for all employers	✓A				✓	
CSEM5	Manage the 2019 valuation	✓G					

Operations

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
OPS1	Processing of undecided leavers	✓G					
OPS2	Design a range of customer experience key performance indicators	✓G					

Investments and fund accountancy

Reference	Key action/task	2019/20				Medium term	
		Q1	Q2	Q3	Q4	2020/21	2021/22
IA1	Continue development of the asset pool	✓G			✓G		
IA2	Implement the strategic asset allocation		✓G				
IA3	Implement the cash management policy	Completed					
IA4	Extend global custody contract for 2 years		Completed				
IA5	Re-tender collaboratively with ACCESS for global custody services					✓	
IA6	Implement online payment platform for employers' contribution payments		✓A				
IA7	Re-tender for investment consultancy services				✓G		
IA8	Re-tender for the independent adviser role			✓A		✓	
IA9	Complete sign up to the responsible investment stewardship code				✓G		
IA10	Consider multi-fund investment strategies	✓G		✓R		✓	
IA11	Implement the Local Economic Development Fund		Completed				

Cambridgeshire Pension Fund



Pension Fund Board

Date: 31st January 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, LGSS Governance Officer, moakensen@northamptonshire.gov.uk

1. Background

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28th March 2019. Prior to this, the Pension Fund Board agreed the process of monitoring risks that face the Fund, with the Pension Fund Board reviewing on a quarterly basis and the Pension Fund Committee on a bi-annual basis, unless any concerns were raised, in which case the Pension Fund Committee would be notified earlier.
- 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 considered that there has been no change in impact or likelihood scores since the last review.
- 2.2 The following changes have been made to the Risk Register since the previous meeting:

Risk No.	Risk	Change
2.	Failure to respond to changes in economic conditions.	The Fund has currency hedging and equity protection arrangements in place has been added to the mitigations.

Risk No.	Risk	Change
3 (risk 26 on last review).	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	<p>This risk was approved by the Pension Committee on 18th October 2019 and therefore has been imbedded as risk 3 in the order of significance.</p> <p>The word 'requested' has been replaced with 'required' in the following mitigation – Investment managers are <u>required</u> to take account of both financial and non-financial factors in their investment decisions in the mitigations.</p>
5.	Fund assets are not sufficient to meet obligations and liabilities.	The Fund has currency hedging and equity protection arrangements in place has been added to the mitigations.
6.	Information may not be provided to stakeholders as required.	<p>The following mitigations have been included:</p> <ul style="list-style-type: none"> • Communications Officer now in place. • Membership of the Local Government Association (LGA) Communications Working Group. • Membership of the Regional Joint Communications Group. • Communication and Digital Communication Strategy in place.

- 2.3 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-term risks

- 3.1 Following the McCloud ruling, it is likely that the remedy will involve the extension of some form of underpin to members in scope who are not currently offered protection. The expected date for the remedy to be implemented is likely to be in the 2021/22 financial year.
- 3.2 Decisions relating to members in scope, the extent of final salary service protection, the requirement for retrospection and the inclusion of ancillary benefits (transfers, survivors etc) are to be determined centrally, the full impact to the Cambridgeshire Pension Fund will be unknown until these details are released.
- 3.3 Risk 19, 'actual experience materially differs from actuarial assumptions used at each valuation' covers the high level risk as the liability will be a factor in the 2019 valuation but it was felt appropriate to highlight this as a short term risk for the Board to monitor.
- 3.4 The political risk and uncertainty surrounding Brexit could have an impact on asset volatility in the short term. Although this risk is outside of the control of the Fund, the Fund needs to be prepared for this volatility.
- 3.5 Risk 2 'Failure to respond to changes in economic conditions' covers the high level risk but it was felt appropriate to highlight this as a short term risk.

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
9	Failure to understand and monitor risk and compliance	Green
16	Failure to provide relevant information to the Pension 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 – 16 th January 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.	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	G	3
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Key

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

Overall responsibility rests with the Head of Pensions

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"> Provisional contribution rates are consulted on with each scheme employer as part of the valuation process Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible. 	4	3	12	A
2.	Failure to respond to changes in economic conditions	4	4	16	R	<ul style="list-style-type: none"> The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters. The Fund receives quarterly performance reports which consider operational and strategic investment issues. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund publishes an Investment Strategy Statement which is regularly reviewed. The Fund has currency hedging and equity protection arrangements in place. 	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"> Investment managers are required to take account of both financial and non-financial factors in their investment decisions Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk Managers are required to report regularly on their compliance with our ESG policy It is ensured that the ACCESS asset pool meets the Fund's ESG requirements. 	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"> 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. A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy. The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator Internal Audit reviews take place on an annual basis and external audit review the accounts annually. 	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"> The Funding Strategy Statement is reviewed every 3 years. The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates. 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. The Fund has currency hedging and equity protection arrangements in place. 	4	2	8	A
6.	Information may not be provided to stakeholders as required	3	3	9	A	<ul style="list-style-type: none"> 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. Letters are generated through task management for consistency and are checked before being sent out. Communications Officer now in place. Membership of the Local Government Association (LGA) Communications Working Group. Membership of the Regional Joint Communications Group. Communication and Digital Communication Strategy in place. 	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"> Investment Strategy in place which is in accordance with LGPS investment regulations. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund appoints professional investment advisers to support the Pension Committees investment decisions At each triennial actuarial valuation the Funding Strategy Statement considers alignment of the investment strategy to employer covenant and affordability. Members are encouraged to participate in Skills & Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained. 	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"> Training Strategy in place to facilitate the continual development of both Committee and Board members. New members are provided with relevant documentation to assist them in their roles. The Fund subscribes to relevant professional bodies such as Local Authority Pension Fund Forum (LAPFF) and Pension and Lifetime Savings Association (PLSA). 	3	2	6	G
9.	Risk of fraud and error	3	3	12	A	<ul style="list-style-type: none"> Anti- Fraud and Corruption policy in place. Fund participates in the National Fraud Initiative and undertakes overseas pensioner existence checks. Robust processes in place including segregation of duties and authorisation protocols. 	3	2	6	G
10.	Failure to understand and monitor risk compliance	3	2	6	G	<ul style="list-style-type: none"> Business Continuity plan in place and is updated at least annually. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales. The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making. 	3	2	6	G

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"> Employers are made aware of their responsibilities upon admission via the LGSS website and direct employer communication. Training is provided to employers on a minimum quarterly basis and more often, if required. The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums. Support is also available through the website, dedicated employers help line and templates issued where applicable. 	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"> The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework. Complete and authorised agreements are in place with external custodian. External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee. 	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"> System user controls are in place including regular password changes. Access rights are controlled and data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is updated to ensure Local Government Pension Scheme (LGPS) requirements are met. Hosted pensions server and backup server are at separate Bedfordshire sites. Disaster recovery plans are in place for both Heywood and LGSS. Compulsory online training for LGSS Officers on Cyber resilience and Data Protection. 	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"> • Policies and strategies are in place and are accessible on the Fund website. • Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary. • A Training Strategy is in place for those charged with governance. • Officers attend working groups (such as EMPOG/SECSOG – East Midlands Pension Officer Group / South Eastern Counties Superannuation Officer Group) and consult with professional advisors where appropriate. • Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when. • The Fund subscribes to relevant professional bodies such as LAPFF and PLSA. 	4	1	4	G
15.	Failure to recognise and manage conflicts of interest	4	2	8	A	<ul style="list-style-type: none"> • Declaration of interests are made at the beginning of all statutory meetings where not held on the County Councillor declaration register. • Conflicts of Interest Policy in place for the Local Pension Board. • Committee and Board members are encouraged to undertake the Pension Regulators Toolkit which includes a conflicts of interest module. 	2	2	4	G
16.	Pension Fund objectives are not defined and agreed	4	2	8	A	<ul style="list-style-type: none"> • Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee. • Relevant objectives are referenced on every committee report. • Objectives are referenced in all policy documents and the risk register to ensure appropriate focus. 	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"> Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making. Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered. 	2	2	4	G
18.	Pension Fund Investments may not be accurately valued	3	2	6	G	<ul style="list-style-type: none"> 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. The year-end financial statements record the Funds asset position and is subject to robust review by external audit. Officers work closely with the Funds Custodian to ensure accuracy of asset valuations. 	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"> Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate. Early engagement with employers. The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment. Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee. 	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"> Pension Committee decisions and oversight by the Local Pension Board. Investment consultants and independent advisors appointed via a robust appointment process. Members are encouraged to participate in Skills & Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained. 	2	2	4	G
21.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	3	3	9	A	<ul style="list-style-type: none"> Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy. 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. 	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"> Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service. Multi skilling across the service for flexibility. Updated at least annually to ensure remains relevant and up to date. Part of the LGSS business continuity plan. 	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"> Establishment reporting undertaken monthly to identify any recruitment/retention issues Recruitment undertaken utilising all available avenues including agency staff Staff leaving interviewed to understand reason for cessation Regular performance reporting across all business processes serves as early warning system Consultancy contracts in place as a backstop 	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"> The Fund is compliant with Investment regulations and best practice guidance. The Fund appoints professional investment advisers to support the Pension Committees investment decisions The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation. Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues. The Fund has an appropriate Investment Strategy Statement in place which also addresses Environmental, Social and Governance (ESG) issues. 	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"> Automated extraction of data where viable and agreed procedures for reporting. Robust authorisation protocols in place. Internal and External audit reviews. 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. Membership year end reconciliation and investigate variations from the accounting valuations. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Data Improvement Policy and Plan are in place. Anti-Fraud and Corruption Policy in place. 	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"> The Data Improvement Policy and Plan are in place. 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. The Pension Committee and Local Pension Board receive updates against the plan quarterly. 	3	1	3	G

Cambridgeshire Pension Fund



Pension Fund Board

31st January 2020

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Pension Fund Board with information on the activities of: 1) The LGPS Scheme Advisory Board 2) The Pensions Regulator; 3) The Ministry of Housing, Communities and Local Government 4) National pension issues and 5) Skills and knowledge opportunities.
Recommendations	That the Pension Fund Board notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: jwalton@northamptonshire.gov.uk

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. LGPS Scheme Advisory Board

2.1 Good Governance Review – phase two

- 2.1.1 Following on from the Good Governance Report that was issued by Hymans Robertson on 8 July as commissioned by the Scheme Advisory Board, the Board agreed to constitute two working groups to take forward the proposals in the report. Hymans Robertson were again appointed to assist the working groups.
- 2.1.2 The first working group was asked to focus on specifying clearly the outcomes and standards that the Scheme Advisory Board wishes to see achieved by funds under the approach and how these outcomes should be evidenced.
- 2.1.3 The second working group was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

2.1.4 On 15th November 2019 the Hymans Robertson issued the second report of the Good Governance Review that includes detailed implementation proposals in respect of each work-stream including a list of the changes required to guidance to implement this framework.

2.1.5 The full report can be found in appendix 2 of this report along with the summary of the 17 recommendations. Some of the recommendations are already in place or partially so for the Cambridgeshire Pension Fund. The most notable new recommendations are detailed below:

Report reference	Recommendation
General (A1)	MHCLG* will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals (see appendix 2A).
General (A2)	Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
General (A3)	Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the guidance (see A1). This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
Representation (C1)	Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
Knowledge and understanding (D2)	Introduce a requirement for S151 officers to carry out LGPS relevant training as part of their Continuing Professional Development (CPD) requirements to ensure good levels of knowledge and understanding.
Service delivery for the LGPS function (E1)	Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with roles descriptions and business processes.
Service delivery for the LGPS function (E5)	Each administering authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate, market supplements, relevant to the needs of their pension function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
Compliance and improvement (F1)	Each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a Scheme Advisory Board panel of experts.
Compliance and improvement (F2)	LGA to consider establishing a peer review process for LGPS funds.

*MHCLG = Ministry of Housing, Communities and Local Government

2.1.6 The Scheme Advisory Board have invited comments on the report and its recommendations prior to the next meeting of the Scheme Advisory Board on 3rd February 2020. Officers are in the process of drafting a response in conjunction with the Chairman and Vice-Chairman of the Pension Fund Committee and Local Pension Board which will be submitted to the Scheme Advisory Board no later than 20th January 2020.

2.1.7 Should the Scheme Advisory Board and MHCLG accept the recommendations within this report phase three will be initiated and will include the following activities:

- MHCLG to draft the required changes to the Guidance
- Scheme Advisory Board to ask the National LGPS Framework to begin work on establishing Independent Governance Review provider framework
- Scheme Advisory Board to establish the 10-15 KPIs referred to within proposal E.3.
- Scheme Advisory Board to consider drawing up a complete list of the topics that should be included within the statutory governance compliance statement.

2.2 LGPS Code of Transparency – compliance reporting system

2.2.1 Following a procurement process the Scheme Advisory Board has chosen the technology provider Byhiras who deliver transparency and governance solutions, to develop a platform that will ensure that asset managers comply with its cost transparency code.

2.2.2 The platform will be rolled out across all UK LGPS funds and pools by quarter 1 of 2020 and will validate and store data about fees and expenses that asset managers disclose to pension funds and allow for reporting and data comparison between managers.

2.2.3 The platform will ensure that managers comply with the requirements of the LGPS Code of Transparency that was launched in 2017 and led to the Cost Transparency Initiative, an industry-wide body co-founded by the Scheme Advisory Board that is developing cost reporting standards for UK international investors. Asset managers are asked to comply with the Code if they hold mandates from LGPS funds and so far more than 100 asset managers have signed up.

2.3 Draft Guidance on Responsible Investment Guidance

2.3.1 On 22nd November 2019 the Scheme Advisory Board issued the first part of guidance on responsible investment which was open for consultation until 11th January 2020. The aim of the first part of the guidance is to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG (environmental, social and governance) policies as part of investment strategy statements.

2.3.2 The Scheme Advisory Board has made it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must remain a matter for local consideration and agreement in accordance with Ministry of Housing, Local Government and Communities' (MHCLG) statutory guidance.

2.3.3 The Scheme Advisory Board has commenced work on drafting part two of the guidance of which the aim is to provide investment decision makers with a toolkit they can use to further integrate ESG policies as part of their investment strategy. It is anticipated that the working draft of the part two guidance will be considered by the Scheme Advisory Board at the meeting of 3rd February 2020.

2.3.4 Officers, in agreement with the Chairman of both the Pension Fund Committee and Local Pension Board, have written to the Scheme Advisory Board advising of concerns regarding the draft guidance in its present form. Legal advice is being sought and thereafter comments on the Draft Guidance will be provided either individually or collectively with other ACCESS funds shortly after the 11th January deadline.

2.3.5 The comments provided to the Scheme Advisory Board following provision of the legal advice will be circulated to members of the Local Pension Board.

2.3.6 The Draft Guidance can be found in appendix 3 of this report.

3. The Pensions Regulator

3.1 LGPS engagement report

3.1.1 On 19th September the Pensions Regulator published a report on the findings from its engagement with 10 LGPS funds during the period October 2018 to July 2019. The engagement took place following the results of the Pensions Regulator annual governance and administration survey from which it was identified that improvements being made across the LGPS had slowed down.

3.1.2 The report identifies the following key improvement areas:

- **Key person risk** – while most scheme managers demonstrated a good knowledge of what the Pensions Regulator expects many funds lack comprehensive documented policies and procedures. An over-reliance on controls put in place by the Local Authority was identified particular in relation to cyber security.
- **Local Pension Boards** – engagement levels varied with concerns being raised about the frequency that some boards meet and their appetite to gaining knowledge and understanding.
- **Fraud/scams** – some scheme managers were not as vigilant at taking steps to protect members from potential scams as they were at protecting the scheme assets.
- **Employers**- considerable variance was noted in the approaches taken to deal with the risks surrounding scheme employers such as receiving contributions and employer solvency. This tended to be connected to fund resourcing and different philosophies on taking security over assets.

3.1.3 The full report can be found here:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#f3ed2f980db645d0a1ac39dd86773d2a>

3.2 Initiative to improve data quality

3.2.1 On 2nd October the Pensions Regulator announced a crackdown on poor record keeping. The Pensions Regulator has contacted 400 pension schemes that they believe have not reviewed their data within the last 3 years and have asked them to conduct a review of their data within the next 6 months. Whilst some LGPS administering authorities are included amongst the group of 400, the Cambridgeshire Pension Fund has not been contacted. The Fund takes a continual and proactive approach to data improvement as demonstrated in the Data Improvement Plan and Plan.

4. Ministry of Housing Communities and Local Government (MHCLG)

4.1 SF3 Data (LGPS Funds: England and Wales 2018-19)

4.1.1 On 16th October 2019, MHCLG published a statistical release on LGPS Funds for England and Wales for 2018-19. Highlights from the report are as follows:

- Total LGPS expenditure in 2018-19 was £12.7bn representing a like-for-like increase of £0.7bn (5.7%) on 2017-18. Total expenditure for the Cambridgeshire Pension Fund was £134.3m in 2018-19 and £126.4m in 2017-18 an increase of £7.9m (6.3%).

- Total LGPS income in 2018-19 was £15.1bn representing a like-for-like decrease of £2.3bn (13.2%) on 2017-18. Total income Cambridgeshire Pension Fund was £357.6m in 2018-19 and £242.1m in 2017-18, an increase of £115.5m (47.7%). The increase was a result of an increase in the value of investments.
- Employers' contributions to the LGPS was £7.1bn in 2018-19, a decrease of 24.7% on 2017/18. The decrease in employers' contributions is largely due to the some large upfront pension contribution payments made in 2017-18 following the triennial valuation. Employers' contributions to the Cambridgeshire Pension Fund was £98.1m in 2018-19 and £103.1m in 2017-18, a decrease of £5m (4.8%).
- Employees' contributions to the LGPS was £26bn in 2018-19, an increase of £0.06bn (2.8%) on 2017-18. Employees' contributions to the Cambridgeshire Pension Fund was £26.4m in 2018-19 and £25.3m in 2017-18 a decrease of £1.1m (4.3%).
- The market value of the LGPS funds at the end of March 2019 was £287.2bn an increase of £16.bn (6%). The market value of the Cambridgeshire Pension Fund was £3.19bn in 2018-19 and £2.96bn in 2017-18, an increase of £0.23bn (7.8%).

4.1.2 The full report can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839550/LGPS_England_and_Wales_2018-19.pdf

5. The Queen's Speech

5.1.1 The Queen's speech delivered on 14th October 2019 confirmed that a new Pension Schemes Bill will be introduced which will;

- strengthen the Pensions Regulator's powers
- provide a framework to support pension dashboards; and
- introduce regulations covering the right to a pension transfer.

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 Committee 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 1 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.

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 Committee and 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.

8.2 The risks associated with the Pension Fund Committee and 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/ 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.
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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 None.

15. Appendices

- 15.1 Appendix 1 – Internal/external training and events 2019-20 and 2020-21.
- 15.2 Appendix 2 – Good governance in the LGPS -phase II report from working groups to the Scheme Advisory Board
- 15.3 Appendix 3 – Scheme Advisory Board Consultation: Draft Responsible Investment Guidance Part 1 (“Draft Guidance”)

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 14/01/2020

Appendix 1 – Training Schedule

Date	Event	Trainings Credits*	Event Details
23-24 January 2020	Local Government Association (LGA) LGPS Governance Conference	4	Although primarily aimed at elected members, the conference will be of interest to other people who attend pension committees, panels or sub-committees etc. This conference will cover; Scheme Advisory Board, Checking Compliance, Cost Cap, Regulating the reforms, Investment Spotlight and Legal Update. https://lgaevents.local.gov.uk/lga/frontend/reg/thome.csp?pageID=260501&eventID=767
6 February 2020	Local Authority Pension Fund Forum (LAPF) Strategic Investment Forum	4	This forum will look at the economic outlook, and the role of a wide range of asset classes for growth, income and diversification. The agenda also covers asset pooling and options for adapting to climate change risk. https://www.dgpublishing.com/lapf-strategic-investment-forum/about/
21 February 2020	Chartered Institute of Public Finance and Accountancy (CIPFA) Spring Seminar - Local Pension Board members only	2	The Local Pension Board seminars are exclusively for Board members and provide the latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking with members of other Funds' Boards. https://www.cipfa.org/training/l/lgps-members-spring-seminar-20200218
27-28 February 2020	Local Government Chronicle (LGC) Investment Seminar	4	The event will provide practical advice from pools and funds, insight on what's new in investment and greater opportunities to sense-check your priorities. https://investmentseminar.lgcplus.com
6 March 2020	LGSS Pension Information Day	2	TBC
TBC	Schroders Trustee Training (Part 1)	2	TBC
TBC	Schroders Trustee Training (Part 2)	2	TBC
18-20 May 2020	Pension and Lifetime Savings Association (PLSA) Local Authority Conference	4	This event is a residential conference that includes keynote speeches, stream sessions, a Learning Zone, a specialist session, an exclusive exhibition, networking lunch for Local Pension Boards, Welcome Drinks Reception and a Conference Dinner. The event is the largest of its kind dedicated to the LGPS, attended by over 400 local authority officers, councillors, members of Local Pension Boards, admitted bodies and their advisers. https://www.plsa.co.uk/Events-Local-Authority-Conference

Date	Event	Trainings Credits*	Event Details
24 June 2020	CIPFA Local Pension Boards' Annual Event (hosted by Barnett Waddingham)	2	This is a Local Pension Board seminar exclusively for Board members and provides the latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking with members of other Funds' Boards. https://www.cipfa.org/training/l/lgps-local-pension-boards-member-annual-full-day-event-20200624-london
6-8 July 2020	LAPF Strategic Investment Forum	4	The LAPF Strategic Investment Forum is the leading investment conference and dinner for senior LGPS fund investment officers and their advisers. It is organised by DG Publishing and attracts high quality officers in strong numbers. https://www.dgpublishing.com/lapf-strategic-investment-forum-july/about/
TBC - July 2020	LGSS Pensions Information Day	2	TBC
TBC September 2020	LGC Investment Summit	4	TBC
TBC	Introduction to the LGPS	2	TBC Aimed at new or inexperienced officers and elected members this course, based on the CIPFA knowledge and skills framework.
TBC	LGA LGPC Fundamentals Training (Day 1/3)	2	TBC Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. The 3 day course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS – This sessions theme is Administration.
TBC - October 2020	LGSS Pensions Information Day	2	TBC
TBC	Schroders Trustee Training (Part 1)	2	TBC
TBC	Access Investor Day	2	TBC

Date	Event	Trainings Credits	Event Details
14-16 October 2020	PLSA Annual Conference	4	The conference includes keynote speeches, streamed focus sessions, specialist sessions, a Trustee Learning Zone, exhibition and a conference drinks reception. https://www.plsa.co.uk/annual-conference-and-exhibition
TBC	LGPC Fundamentals Training (Day 2/3)	2	TBC Provides members of Pension Committees and Local Pension Boards with the knowledge and skills to enable them to carry out their duties effectively. The 3 day course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS – This sessions theme is Investments.
TBC	Schroders Trustee Training (Part 2)	2	TBC
TBC December 2020	LAPFF Annual Conference	4	TBC
TBC	LGPC Fundamentals Training (Day 3/3)	2	TBC

*Training credits are currently under review and the revised Training Strategy will be presented to the Pension Committee in March which will include a proposal for a revised credit system.



Good governance in the LGPS

Phase II report from Working Groups to SAB

November 2019

Process

Following on from the presentation of the Good Governance Report to the SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report. Hymans Robertson were appointed to assist the working groups in this next phase of the good governance project.

The first working group (Standards and Outcomes Workstream) was asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how these outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

This report has been prepared for the SAB by both working groups and includes detailed implementation proposals for their workstream including a list of the changes required to guidance to implement this framework.

Thanks to contributors

Thank you to the following who contributed to the working groups and this report.

Euan Miller Assistant Director of Pensions
(Funding and Business Development),
Greater Manchester Pension Fund

Peter Moore Chair of CIPFA's Pensions Panel

Mark Wynn Director of Corporate Services
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Nick Gannon TPR

Con Hargrave MHCLG

Jenny Poole Head of Finance & Audit/GO Shared
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PLSA

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Jeffrey Dong Chief Treasury Officer at
City & County of Swansea, SWT

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Nicola Mark Head of the Norfolk Pension Fund,
Practitioner representative to SAB

Annemarie Allen Consultant, Barnet Waddingham

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Section 151 Officer, Carmarthenshire County Council

Rachel Brothwood Director of Pensions,
West Midlands Pension Fund

Robert Holloway SAB secretariat, LGA

Jeff Houston SAB secretariat, LGA

Jon Richards Unison

David Aldous National Audit Office

Yvonne Johnson Chair of the Pension Fund Panel,
London Borough of Ealing, Scheme Employer
Representative, SAB.

Hymans Robertson facilitators:

Catherine McFadyen, John Wright, Ian Colvin, Steven Law

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Terminology

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended:

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example “Each administering authority must publish an annual report.”

Committee. A committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example “The pensions committee should have a role in developing the business plan.”

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example “Delivery of the LGPS function must be constant with the constitution of the host authority.”

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example “Taking this course of action will improve the fund's administration”.

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years.”

Workstream 1: Standards and outcomes

Proposals and background

A. General

1. It is envisaged that all the proposals made in this document will be enacted via the introduction of new statutory governance guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.
2. In order to improve the accountability for fund governance, it is proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). This may be the S151 officer, assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role. This should be a person close enough to the running of the fund that they have sight of all aspects of the fund’s business. The role of the responsible person should be assigned through the host authority’s scheme of delegation and constitution. If the person who undertakes this key role within the host authority changes it may be necessary for the role of the responsible person to be reviewed.
3. In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority’s s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.



B. Conflicts of interest

1. Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed. Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focused on the elected member register of interest and code of conduct. The Guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the areas that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS as listed:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Contribution setting for the AA and other employers.
- Cross charging for services or shared resourcing between the AA and the fund
- Dual role of the AA as an owner and client of a pool
- Local investment decisions
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or finance cabinet should be disclosed.

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining clear records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded.
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.
- In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

Each fund should be required to make public its conflicts of interest policy.

2. During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance. The SAB working group came to the conclusion that that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles and provide a guide which illustrates how these might be applied to the LGPS. It would be helpful for The Guidance to make reference to the SAB's findings in this area.

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.

C. Representation

1. The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote. Primary legislation in the form of the Local Government Act 1972 allows local authorities wide discretion over committee appointments and delegations and this issue ultimately remains one of local democracy.

The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

Best practice would suggest that scheme member representation in some form is a desirable goal for administering authorities. In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.



D. Skills and training

1. The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.

The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund. At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

Training should be delivered as part of a supportive environment and committee and board members will not be required to undertake tests, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to Committee and senior officers within the context of an appropriate LGPS specific framework, for example the CIPFA knowledge and skills Code of Practice and Framework (currently being updated). As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

Training records must be maintained.

2. There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority. This should be specified and administered by an appropriate professional body.

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

E. Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits. This definition encompasses a funds accountancy function, investment support, employer liaison, systems, communications etc.

1. Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function. The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make.

The “roles and responsibilities matrix” should reflect the host authority’s scheme of delegation and constitution and be supported by a clearly documented management structure.

2. The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.
3. A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.

It is acknowledged that there are inherent difficulties in drawing conclusions when comparisons are not always on a true like for like basis but it is preferable to introduce measures now and seek to improve the measurement approach over time.

4. Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund’s budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund’s business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year’s budget by an inflationary measure or specify an “available” budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund’s business plan but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority’s scheme of delegation and constitution.





E. Service delivery for the LGPS function (continued)

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard. If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

5. Each Administering Authority has a duty to ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to the all fund employers and members. It is therefore important that the recruitment and retention practices applied to the pensions function facilitate this. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.

E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.

E.2 Each administering authority must publish an administration strategy.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.

Workstream 2: Compliance and improvement

F. Compliance and improvement

One of the key features of the original Good Governance Review was the view that in order to ensure required standards are adhered to consistently there needs to be regular independent review of administering authorities governance arrangements.

1. The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below.
 - a. It will be mandatory for each Fund to commission an Independent Governance Review (“IGR”) which will audit the fund’s Governance Compliance Statement and review compliance with the requirement of the new statutory guidance.
 - b. There should be a standardised framework and process for IGRs which covers all areas set out in new MHCLG guidance.
 - c. It is critical that the IGR should be conducted by appropriate persons who:
 - properly understand the LGPS;
 - are sufficiently at arm’s length from the administering authority’s pensions function, that is, they do not have an existing contractual relationship with the administering authority which conflicts with their ability to carry out a properly independent and objective assessment of governance standards and compliance with new statutory requirements; and
 - are in some way “accredited” to ensure consistent standards of review.
 - d. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place which sets out the standard requirements, standard reporting and standard fee for an LGPS IGR. Ideally this should be in place for 2020/21.
 - e. Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework, from which any LGPS Funds may appoint an external supplier.
 - f. Alternatively, administering authorities may choose to have their IGR review carried out by their own internal audit or another appropriate party to the same standards as the framework.
 - g. Each administering authority should have an IGR completed biennially, by a date which will be notified by the SAB.
 - h. The SAB may direct, as a result of concerns about the governance of a fund (or for another reason), that an administering authority must have an IGR completed outside of the two-year cycle.
 - i. The IGR will report findings to the body and/or individual with delegated responsibility for delivery of the LGPS as set out in the roles and responsibilities matrix and to the local pension board.
 - j. The administering authority must develop an improvement plan to address any issues raised in the IGR.
 - k. The report from the IGR and improvement plan must be published and also be submitted to SAB and relevant SAB sub-committees.
 - l. SAB will put in place a panel of independent experts to scrutinise the IGR reports, looking for outliers and areas of concern. The panel of experts will be drawn from LGPS stakeholders to include the s151 community and other parties as appropriate.
 - m. The SAB panel may enter into discussions with funds where the panel find the IGR report or agreed improvement plan or progress against a previous improvement plan are considered to be unsatisfactory. Additionally, they may refer the unsatisfactory IGR to TPR or further escalate to MHCLG.
 - n. Failure to submit an IGR report by the required date will result in automatic referral.
 - o. A dry run is recommended in parallel with the timeline for drafting the required Guidance.
 - p. Nothing in this process overrides an individual’s responsibility to report breaches of the law under the Pensions Act 2004 or any other professional or legal whistleblowing obligations.





F. Compliance and improvement (continued)

2. LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

IGR reports to be assessed by a SAB panel of experts.

F.2 LGA to consider establishing a peer review process for LGPS Funds.

Summary of the compliance and improvement process

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS requirements.

Biennially, each administering authority to commission an Independent Governance Review (IGR).

IGR reports to senior LGPS officer, pensions committee and pensions board.

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG


Next steps

The Working Group recommends that SAB and MHCLG accept the recommendations in this report and initiate phase III of the project.

Phase III should contain the following elements:

1. MHCLG to draft the required changes to the Guidance.
2. SAB to ask the National Framework to begin work on establishing Independent Governance Review provider framework.
3. SAB to establish the 10-15 KPIs referred to within proposal E.3.
4. It is envisaged that the governance compliance statement will act as a summary, evidencing the Fund's position on all areas of governance and compliance. Where a fund is non-compliant in a certain area the statement should provide information within and accompanying improvement plan about the steps being taken in order to address non-compliance. SAB to consider drawing up a complete list of the topics that should be included within the governance compliance statement.



A full-page photograph of a forest. The foreground is filled with a dense carpet of small, purple flowers, likely bluebells, growing among green grass. The forest floor is covered in these flowers, extending into the distance. Tall, slender tree trunks are scattered throughout the scene, some in the foreground and others further back. The upper part of the image shows a thick canopy of green leaves, with sunlight filtering through, creating a dappled light effect on the forest floor.

Appendix A

Summary of recommendations

Area	Proposal
A. General	A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
	A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.
B. Conflicts of interest	B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
C. Representation	C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.
D. Knowledge and understanding	D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.
	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.
E. Service delivery for the LGPS function	E.1 Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of delegation and constitution and be consistent with role descriptions and business processes.
	E.2 Each administering authority must publish an administration strategy.
	E.3 Each administering authority must report the fund’s performance against an agreed set of indicators designed to measure standards of service.
	E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
	E.5 Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.
F. Compliance and improvement	F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.



Responsible Investment in the Local Government Pension Scheme

A Guide to the duties of Investment Decision Makers in LGPS Administering authorities

Introduction

Part 1 – Definitions

1A – What is Responsible Investment?

1B – What are ESG factors?

1C – What about climate change?

1D – Financially material factors

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1F - Stewardship

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2E – What an administering may do

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3A – Duties to local tax payers

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Part 4 – Recent developments in trust based pensions

Appendix 1 – Responsible investment considerations

Appendix 2 – Responsible investment sources

Appendix 3 – Bibliography of regulations and guidance

Introduction and purpose

1. This guidance has been prepared by the Local Government Scheme Advisory Board (SAB) in England and Wales to assist administering authorities and in particular those individuals delegated to make investment decisions on behalf of the authority. It sets out their duties with regard to developing and maintaining responsible investment (RI) policies according to the relevant scheme regulations, statutory guidance and public law and references developments to private sector pensions legislation in this area.
2. The guidance is further to and should be read in conjunction with the Ministry of Housing, Communities and Local Government's (MHCLG) revised *Guidance on Preparing and Maintaining an Investment Strategy Statement* published in July 2017.
3. This guidance is based on the extant LGPS investment regulations 2016 and associated statutory guidance together with our understanding of related legislation. It does not anticipate or include any work undertaken by the SAB in conjunction with scheme stakeholders to explore the scope for recommending changes to MHCLG to amend the scheme's RI requirements to reflect recent changes made to the regulatory framework applying to schemes based on trust law. If changes to regulations and statutory guidance are made, this guidance will be updated to reflect them and will then be regularly reviewed to ensure that it remains timely and relevant
4. This guidance is intended to be permissive in that it does not seek to provide operational direction but rather seeks to clarify the parameters within which decisions can be made and policies formulated with regard to the integration of ESG considerations into the overall investment strategy of the authority. It is recognised that there will be variation between different administering authorities in terms of their approach to RI and no one guidance document could successfully cover all local situations..
5. The guidance is intended to assist investment decision makers, irrespective of their investment beliefs. In doing so it is recognised that different administering authorities will be at different stages of the RI journey as shown in the "Spectrum of Capital" below :-

The spectrum of capital



* This integration of sustainable practices across an organisation's core business may also be termed Corporate Social Responsibility (CSR), although many organisations have a separate (often philanthropic) CSR 'carve-out' that is distinct from their approach to sustainability
Source: G8 Social Impact Investment Taskforce, Asset Allocation Working Group (2014)

6. The guidance is intended to empower and equip administering authorities and those delegated to make investment decisions on behalf of the authority to meet their obligations in line with the Regulations and statutory guidance. It also sets out our understanding of the relevant fiduciary, general public law and code of conduct duties when making investment decisions based on extant case law and QC opinion.

7. The guidance is also relevant to local pension boards in the context of their statutory duty to assist their administering authority in complying with the policies set out in their Investment Strategy Statement (ISS) and that the ISS has been completed in accordance with MHCLG's statutory guidance on preparing and maintaining an ISS.

8. The guidance will be formally reviewed by the SAB, at least on an annual basis, after consultation with the Cross Pool Collaboration Group Responsible Investment Subcommittee and other key stakeholders.

Part 1 – Definitions

1A. What is Responsible Investment?

9. According to the PRI (Principles for Responsible Investment) established by the United Nations in 2006, responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long term returns.

There are six defined “principles” that signatories to PRI agree to:-

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which they invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the Principles

Further details about PRI's approach to responsible investment can be found at <https://www.unpri.org/pri/what-is-responsible-investment>

1B. What are ESG factors?

10. These are many and varied but according to PRI these typically include:-

Environmental

- Climate change, including physical risk and transition risk
- Resource depletion, including water
- Waste and pollution
- Deforestation

Social

- Working conditions, including slavery and child labour
- Local communities, including indigenous communities
- Conflict
- Health and safety
- Employee relations and diversity

Governance

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy

11. More examples of ESG factors are given at Appendix 1.

1C. What about climate risk?

12. Authorities will be aware of the growing concerns around the financial risks associated with climate change with particular emphasis both on the risks that are associated with climate change on the sustainability of companies in which pension funds invest and the role of pension funds could play in achieving a net zero carbon economy. In response to such concerns DWP have announced that from October 2019, private sector pension trustees will be required as part of their Statement of Investment Principles to publish their policy on ESG considerations, including the financially material risks associated with climate change.

1D. Financially Material Factors

13. Although statutory guidance refers to financial and non-financial factors it does not define them. Therefore, the definitions in this section are drawn from the private sector pensions world.

14. In their 2014 report, the Law Commission made clear that private sector pension trustees' fiduciary duty is to take account of financially material considerations, whatever their source. Where ESG considerations are financially material, decision makers should take account of them. The Law Commission went on to say that this applies in exactly the same way as other risks in pension scheme investment, for example, interest rate risk, liquidity risk, market risk, political and counter party risk.

15. More recently, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 (the 2018 Regulations) that will apply to private sector pension trustees with effect from October 2019 defines financially material considerations as including, but not limited to, environmental, social and governance considerations, including climate change.

1E. Non-Financial Factors

16. Investment decisions will often have a mixture of motivations and therefore a clear non-financial motivation may be difficult to identify. However, for the purpose of this guidance non-financial factors are those which influence investment decisions and are primarily motivated by considerations other than financial. This is taken to mean any decision to disinvest or invest for which the primary motivation excludes consideration of the potential financial outcome. For example, withdrawing from tobacco investments purely on the basis of public health considerations or investing in a local social enterprise purely to achieve societal benefits.

17. Assessing whether a non-financial decision would have a significant financial detriment to the fund will always be a question of fact and degree. Divesting from a sector which makes up of 15% of a fund is likely to represent financial detriment whereas a portfolio of 3% may not.

18. According to the Law Commission, when making an investment decision based on a non-financial consideration, private sector trustees have a duty to ensure that the decision would not involve a risk of significant financial detriment to the fund and that it would be reasonable to assume that the scheme members agree with that decision. A similar provision may be found in LGPS statutory guidance.

1F Asset Stewardship

19. The 2012 UK Stewardship Code defines stewardship as the promotion of long term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole. The UK Stewardship Code is recognised as an effective standard for asset owners and asset managers to comply with and demonstrate best practice in discharging their stewardship responsibilities

Part 2. - Statutory Duties and Responsibilities of administering authorities

20. The duties of administering authorities are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations).

21. Administering authorities are also required by the Regulations to comply with statutory guidance published by MHCLG in July 2017 in preparing and maintaining their Investment Strategy Statement (ISS). Under that guidance, administering authorities are required to set out their policies in a number of key areas including responsible investment, risk, pooling, diversification and asset allocation.

2A – The Regulations

22. Regulation 7 of the Regulations requires that

(8) The authority must invest, in accordance with its investment strategy, any fund money that is not needed immediately to make payments from the fund.

The Regulations do not define ‘investment’ beyond clarifying in Regulation 3 a number of items that are included in that term.

(a) a contract entered into in the course of dealing in financial futures, traded options or derivatives;

(b) a contribution to a limited partnership in an unquoted securities investment;

(c) a contract of insurance if it is a contract of a relevant class, and is entered into with a person within paragraph (2) for whom entering into the contract constitutes the carrying on of a regulated activity within the meaning of section 22 of the 2000 Act(7).

Accordingly, investment is assumed to have the commonly understood meaning as set out in the Oxford English Dictionary:

The use of money or capital to purchase an asset or assets (such as property, stocks, bonds, etc.), in the expectation of earning income or profit over time.

23. The Regulations contains the following provisions that relate to RI and which requires policies to be established in accordance with statutory guidance:

“7.— (1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

(2) The authority’s investment strategy must include— (a) a requirement to invest fund money in a wide variety of investments;

(b) the authority’s assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

2B – Statutory Guidance

24. An LGPS administering authority with the assistance of their local pension board, will be principally concerned with ensuring that it meets the legislative requirements of the Regulations (detailed above) and associated statutory guidance published.

25. For the avoidance of doubt under the Regulations, as detailed above, an authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. It should be noted that this is a sterner test than “have regard to” on which most statutory guidance is based. In the matter of responsible investment, an authority must publish its policies on how ESG considerations are taken into account in the selection, non-selection and realisation of investments and the exercise of the rights, including the voting rights, attaching to investments.

26. To accompany the Regulations, MHCLG published revised statutory guidance in July 2017. The extant statutory guidance entitled ‘Preparing and maintaining an investment strategy statement’ expands upon earlier guidance, specifically on the regulations that relate to RI.

27. The guidance states that administering authorities will be expected to make their investment decisions within a ‘prudential framework’ with less central prescription. It goes on to describe a prudent approach to investment as a duty to discharge statutory responsibilities with care, skill, prudence and diligence.

28. In establishing RI policies, the statutory guidance differentiates between things that an authority must do, should do, and may do. The matters shown below that must be done under statutory guidance represents the minimum statutory requirement that authorities must comply with. Where the statutory guidance points to things that should be done, there is a clear expectation that where appropriate, these ought to be done unless the reasons for not doing so can be objectively justified.

2C - An administering authority must;

- Take proper advice when formulating their investment strategy
- Explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments

- Must give reasons for not adopting a policy of exercising rights, including voting rights, attaching to investments

2D - An administering authority should;

- Explain the extent to which the views of their local pension board and other interested parties whom they consider may have an interest will be taken into account when making an investment decision based on non-financial factors
- Explain their approach to social investments
- Where appropriate, explain their policy on stewardship with reference to the Stewardship Code
- Strongly encourage their fund managers, if any, to vote their company shares in line with their policy under regulation 7(2)(f) (of the 2016 Regulations)
- Publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations

2E -An administering authority may;

- Wish to appoint independently a voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority”

2F Pooling guidance and RI

31. In ‘Investment Reform Criteria and Guidance’ published by DCLG in November 2015, the section ‘strong governance and decision making’ (page 6) requires that authorities should;

- Explain how they will act as responsible long term investors through their pool including how the pool will determine and enact stewardship responsibilities

32. The section ‘Responsible investment and effective stewardship’ (page 17) include provisions that authorities;

- Will want to consider the findings of the Kay review including what governance procedures and mechanisms will be needed to facilitate long term responsible investing and stewardship through the pool
- Will need to determine how their individual investment policies will be reflected in the pool
- Should consider how pooling could facilitate implementation of their ESG policy, for example by sharing best practice, collaborating on social investments to reduce costs or diversify risk, or using scale to improve capability in this area

33. Further guidance on pooling including provisions on responsible investment have been published as a first draft but are subject to further drafting and consultation and therefore have not been included at this time.

Part 3 - Non-statutory duties of investment decision makers

34. Those tasked with making investment decisions on behalf of the administering authority will, in the main, be elected members of that authority. As well as acting within the statutory duties as set out above, decision makers must also act in accordance with a range of non-statutory duties deriving from public law.

35. Unlike private sector trustee who have a clear fiduciary duty to act in the best interests of scheme beneficiaries the position of LGPS investment decision makers is not so easily defined.

3A Duty to local tax payers

36. As set out in CIPFA guidance 'Role of the CFO in the LGPS' there is a fiduciary duty owed by elected members to local tax payers which stems from *Roberts v Hopwood* (1925). This case upheld sanctions against elected members who had chosen to raise the minimum wage for their lowest paid employees (women) and in doing so had been found to have not taken sufficient account of the interests of local tax payers. In his judgement Lord Atkinson defined the failure of the elected members in their duty as;

'..they put aside all these aids to the ascertainment of what was just and reasonable remuneration to give for the services rendered to them, and allowed themselves to be guided in preference by some eccentric principles of socialistic philanthropy, or by a feminist ambition to secure equality of the sexes in the matter of wages in the world of labour.'

He went on to state that;

'A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and a due and alert regard to the interests of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of the property of others.'

And that;

Acts done 'in flagrant violation' of the duty should be held to have been done 'contrary to law' within the meaning of the governing statute.

37. Such a duty was also referenced in *Bromley v GLC* 1981 as the fiduciary duty owed to all rate payers and council tax payers.

38. CIPFA guidance also references a duty to local taxpayers applying to officers and cites *Attorney General v De Winton* (1906) where it was established that the

Treasurer is not just a servant of the authority but has a fiduciary duty to local taxpayers.

3B Duty to scheme employers and scheme members

39. In his legal opinion for the SAB dated 25 March 2014 Nigel Griffin QC concluded that those making investment decisions on behalf of the administering authority; *'...owe fiduciary duties both to the scheme employers and to the scheme members...'* and cites *White v Jones 1995* which held that *fiduciary duties exists 'where one person administers thefinancial affairs of another'*.

40. However he importantly caveats this statement as follows

'I rather doubt that the existence of fiduciary duties will in this context make very much difference to what the position would be if analysed simply in terms of the obligations imposed upon administering authority as a matter of public law - notably, the normal Wednesbury type obligations'

This view derives from (amongst others) Charles Terence Estates v Cornwall Council 2013 where the court acknowledged that local authorities owe a fiduciary duty but nevertheless treated the content of that duty as indistinguishable from Wednesbury.

41. He goes on to define the Wednesbury obligations and therefore the duty to employers and scheme members as *the requirement 'to exercise discretionary powers rationally, for a proper purpose and by reference only to legally relevant considerations'*

42. There appears to be a clear distinction between the fiduciary duty of private sector pension trustees to always act in the best interests of scheme beneficiaries and the public law duties applying to LGPS investment decision makers to;

'conduct ... administration in a fairly businesslike manner with reasonable care, skill and caution, and a due and alert regard to the interests of those contributors who are not members of the body'

And;

'exercise discretionary powers rationally, for a proper purpose and by reference only to legally relevant considerations'

3C – Elected member code of conduct

43. Councillors are required to adhere to their council's agreed code of conduct for elected members. Each council adopts its own code, but it must be based on the Committee on Standards in Public Life's seven principles of public life (see below). These were developed by the Nolan Committee, which looked at how to improve ethical standards in public life, and are often referred to as the 'Nolan principles'. All public office holders are both servants of the public and stewards of public resources.

44. The principles also apply to everyone in other sectors delivering public services. All councils are required to promote and maintain high standards of conduct by

councillors, but individual councillors must also take responsibility. Holders of public office should uphold the following seven principles:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour.

They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Part 4 – Recent developments in trust based pensions

45. Historically, the LGPS in England and Wales has adopted pension legislation that has been introduced specifically for schemes based on trust law. The following information is provided as a guide to possible developments in LGPS regulation and/or guidance but at the time of publication none of the following applies to the LGPS.

46. To meet the RI challenge, the government has adopted a number of legislative measures but only in relation to those responsible for making investment decisions in trust based schemes (not LGPS). As from October 2019, trustees will be required to include in their Statement of Investment Principles new regulatory requirements including:

- How financially material factors (including, but not limited to, ESG considerations, including climate change, over the time horizon of the scheme, are taken into account in the selection, retention and realisation of investments,
- The extent, if at all, that non-financial factors, for example, members' ethical views, are taken into account, and
- Engagement and voting activities in respect of investments, including stewardship.

47. By October 2020, trustees will be further required to include in their Statement of Investment Principles:

- Their arrangements with asset managers including how they incentivise their appointed investment managers to align investment strategy with their policies and to make investment decisions based on long term performance, and
- A form of implementation statement on their engagement and voting practices

48. Trustees will also be required to publish on a publicly available website both their Statement of Investment Principles and Implementation Statements. To assist trustees comply with the new regulatory requirements, the PLSA has published a made simple guide a copy of which can be found at

<https://www.plsa.co.uk/Portals/0/Documents/Made-Simple-Guides/2019/ESG-Made-Simple-2019.pdf>

Appendix 1 – Example RI issues

NB: this is not intended to be read as an exhaustive list, nor as a prescriptive list.

Environmental	Social	Governance	Other/ sector specific
<ul style="list-style-type: none"> • Climate change <ul style="list-style-type: none"> ◦ Fossil fuel exposure ◦ Carbon emissions ◦ Adaptation risks • Resource & energy management <ul style="list-style-type: none"> ◦ Storage ◦ Fuel source ◦ Water ◦ Waste ◦ Mineral use ◦ Efficiency • Planning/ permitting/ operational controls 	<ul style="list-style-type: none"> • Human/ labour rights <ul style="list-style-type: none"> ◦ Supply chain (UK Human Slavery Act/ ◦ Child labour ◦ Human capital management • Employment standards • Employee representation • Health and safety • Community relations 	<ul style="list-style-type: none"> • Alignment (long term) • Board independence • Executive remuneration • Board composition and effectiveness (conduct and culture) • risk management • Tax transparency/ Fair tax • Auditing & accounts (Reliable accounts/ auditor rotation) • Diversity / equality (board, company-wide) • Succession planning • Disclosure/ transparency e.g. Integrated reporting/FSB TFCD • Shareholder protection & rights e.g. say on pay 	<ul style="list-style-type: none"> • Business strategy & risk management • Political change • Operating in controversial or challenging locations • Cyber security • Disruptive technology • Nutrition • Access to products (medicine/ finance) • Bribery & corruption • Site security/ terrorism

Appendix 2: Useful responsible investment sources

Memberships of the following organisations might be considered by an administering authority, as part of the responsible investment strategy.

- British Venture Capital Association (BVCA)
- Focusing Capital on the Long Term (FCLT)
- Global Real Estate Sustainability Benchmark (GRESB)
- International Corporate Governance Network (ICGN)
- Investment Association
- Institutional Investors Group on Climate Change (IIGCC)
- Local Authority Pension Fund Forum (LAPFF)
- Pensions and Lifetime Savings Association (PLSA) (formerly National Association of Pension Funds)
- Principles for Responsible Investment (PRI)
- Transition Pathway Initiative (TPI)
- UK Sustainable Investment Forum (UKSIF)
- CDP (formerly the Carbon Disclosure Project)

Further RI Resources

INTRODUCTORY MATERIAL

- PRI's Building the Capacity of Investment Actors to use Environmental, Social, and Governance (ESG) Information
- PRI: Understanding the impact of your investments
- PRI: How asset owners can drive responsible investment
- PLSA: ESG Made Simple Guide
- RIA: Guide to Responsible Investment
- CERES: Blueprint for Sustainable Investing
- Sustainable Returns for Pensions and Society: Responsible Investment and Ownership
- USSIF: The Impact of Sustainable and Responsible Investment
- Willis Towers Watson: Sustainable investing – we need a bigger boat.
- World Economic Forum: Accelerating the Transition towards Sustainable Investing

- World Economic Forum: Global Risks Report 2015PRI: Investment Practices, Asset Owner Insight
- NAPF: Responsible Investment Guidance for Pension Funds
- EUROSIF: Corporate Pension Fund & Sustainable Investment Study
- EUROSIF: Primer for Responsible Investment Management of Endowments (PRIME Toolkit)
- UN Framework Convention on Climate Change
- UN Guiding Principles on Business and Human Rights
- PLSA Guide to Responsible Investment Reporting in Public Equity

ASSET-CLASS-SPECIFIC GUIDANCE

- PRI: A practical guide to ESG integration for equity investing
- PRI: Integrated analysis: How investors are addressing ESG factors in fundamental equity valuation
- PRI: Fixed income investor guide
- PRI: Corporate bonds: Spotlight on ESG risks
- PRI: Responsible investment and hedge funds
- PRI: Responsible investment in private equity: A guide for limited partners
- PRI: Limited partners' responsible investment due diligence questionnaire
- PRI: Responsible investment in infrastructure
- UNEP FI: Implementing responsible property investment strategies
- INCR, IGCC, IIGCC, PRI, UNEP FI and RICS: Sustainable real estate investment, implementing the Paris Climate Agreement: An action framework

PROCUREMENT FRAMEWORK

- National LGPS Stewardship Services Framework

Appendix 3: Bibliography of regulations and guidance

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479562/draft_LGPS_Investment_Regulations_2016.pdf

Guidance on Preparing and Maintaining an Investment Strategy Statement, July 2017 (Department for Local Government and Communities)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf

DRAFT

Local Pension Board

31st January 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 and comment on the Communications Strategy
Enquiries to:	Cory Blose – LGSS 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(2) above.

- 1.3 The Communications Strategy has been reviewed and updated and the board is asked to review and provide comments. The main changes are summarised in the following section of this report and the draft document has been included as appendix 1.

2. Summary of changes

- 2.1 The Communications Strategy has been 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, which was approved by the Pensions Committee on 13th December 2019, has also been incorporated.
- 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 our 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 Our digital communications strategy was shared with the board on the 7th October 2019. No other background papers.

11. Appendices

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

Checklist of key approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 17 th January 2020

Cambridgeshire Pension Fund

Communications Strategy 2020

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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

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 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"> • Emails (through 3rd party bulk notification systems) • Texts (through 3rd party bulk notification systems) • Electronic newsletters • Self-service portals • Digital materials provided to employers for publication via: <ul style="list-style-type: none"> ○ Intranet communications ○ Website content ○ Video walls (where available) ○ Meeting room pads (where available) ○ Blogs 	<ul style="list-style-type: none"> • Reduction in number of members opting out of the scheme • Positive feedback from stakeholders • Communications promote the scheme as a valuable benefit in a way that it understood by the audience 	<ul style="list-style-type: none"> • Monitor opt out rates annually • Surveys and polls on websites • Review scheme communications for effectiveness • Online rating of document usefulness • Obtain Plain English Accreditation • Bulk email engagement ratings (% opened & clicked links)
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"> • Emails (through 3rd party bulk notification systems) • Texts (through 3rd party bulk notification systems) • Electronic newsletters • Website content • Self-service portals 	<ul style="list-style-type: none"> • Communication includes information and changes to the scheme that supports all stakeholder understanding • Communication is delivered via the most appropriate media to the audience with a focus on electronic communication where possible 	<ul style="list-style-type: none"> • Surveys and polls (on websites and by email/post). Focus groups • 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 • Bulk email engagement ratings (% opened & clicked links)

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

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

	<p>Bespoke/targeted ad hoc training sessions</p> <p>Induction packs</p> <p>Fact sheets</p>	<ul style="list-style-type: none"> • To increase understanding of how the fund works and the effects on scheme members of any legislation changes • To improve relationships • Continue to improve the accuracy of data being provided to us • To make pensions information more readily available
<p>Prospective scheme members</p> <p>And Opt-Outs</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"> • The pension benefits are a valuable part of your reward package • The LGPS is still one of the best pension arrangements available <p>Objectives:</p> <ul style="list-style-type: none"> • To improve take up of the LGPS • To decrease opt out rate and increase understanding of contribution flexibility i.e. 50/50 option • To increase understanding of how the scheme works and what benefits are provided • To make pensions information more readily available
<p>Deferred scheme members</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"> • It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes • The LGPS is still a valuable part of your retirement package <p>Objective:</p>

	Retirement packs Website	<ul style="list-style-type: none"> To improve understanding of how the LGPS works To make pensions information more readily available
Retired/dependant scheme members	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"> It is important to keep in touch with the LGSS Pensions Service e.g. provide us with address changes The LGPS is still a valuable part of your retirement package <p>Objectives:</p> <ul style="list-style-type: none"> To improve understanding of how the LGPS works To make pensions information more readily available
Fund staff	Monthly service meetings Team meetings Ad hoc meetings Consultations 1:1 / Appraisals Training & development	<p>Objectives:</p> <ul style="list-style-type: none"> 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 For staff to feel a fully integrated member of the team For management to feedback to staff regarding their individual progress To give staff a chance to feedback their views and suggestions
Pension Fund Boards and Investment Sub Committees	Committee papers Presentations Consultations Agendas	<p>Objectives:</p> <ul style="list-style-type: none"> To update on the implementation of a policy To monitor success against the agreed measures
	Minutes	

External authorities <ul style="list-style-type: none"> • Trade 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) 	<p>Response to enquiries and consultations.</p> <p>Response to changes in legislation.</p>	<p>Objectives:</p> <ul style="list-style-type: none"> • To respond to enquiries/statutory requirements.
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Communications Plan

Our communications plan can be found on our website:

- pensions.cambridgeshire.gov.uk

by clicking on Governance and then Key Documents. This is derived from our communications strategy and updated annually for approval by committee.

3. Further information

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

LGSS Pensions Service
One Angel Square
Angel Street
Northampton
NN1 1ED

01604 366537

pensions@northamptonshire.gov.uk

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

**CAMBRIDGESHIRE
PENSION FUND**



Local Pension Board

Date: 31st January 2020

Report by: Head of Pensions

Subject:	Valuation of the Pension Fund
Purpose of the Report	To provide the Local Pension Board with a brief update on the Pension Fund valuation.
Recommendations	The Board is asked to note the valuation update.
Enquiries to:	Name – Cory Blose Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Pension Fund is valued every three years. This valuation will be carried out throughout the 2019/2020 scheme year culminating with the publishing of the valuation report and rates and adjustments certificate by 31 March 2020.
- 1.2 This report is to provide an update on progress of some of the key activities of the valuation.

2. Employer Valuation results and engagement with employers

- 2.1 Draft valuation results for employers were provided by the Actuary and distributed to employers at the beginning of December. Officers are now in the process of discussing results and agreeing final contribution rates with employers. A deadline of 31 January has been set for agreeing final contribution rates with employers.
- 2.2 An Employer's Forum was held at Girton College on Wednesday 4th December. The Forum focussed primarily on the valuation with the Fund Actuary providing an overview of the valuation process, draft changes to the Funding Strategy Statement and how employer contributions had been calculated. Employers were also provided with the opportunity to book surgery sessions with the Actuaries and Employer Services and Systems Manager. i-Connect training sessions were also provided for employers as an alternative to the surgery sessions.
- 2.3 Feedback was very positive. Employers found the presentation from the Actuary very useful for aiding their understanding and those that booked surgery sessions found these to be particularly useful. Some frank and open conversations were held with some employers about long term participation in the Local Government Pension Scheme (LGPS).
- 2.4 The Actuaries also commented on the success of the forum particularly the level of attendance from employers and how well the event was organised, believing it to be among the very best forums they have attended.

3. Funding Strategy Statement

- 3.1 The draft Funding Strategy Statement has been issued to employers for consultation. This consultation will close on 17 January. The statement was issued to employers alongside their valuation results so that they could assess the impact of the document on their organisation.
- 3.2 Discussions were held with the Actuary following the initial calculation of employer results to agree certain parameters to be used for each employer when setting contribution rates. These included the funding target, the time horizon for reaching that target and the required probability of success for the resulting contribution strategy of meeting the target within that time frame.
- 3.3 There were some key changes following this discussion, notably older admission bodies with no guarantor being moved onto a “gilts glide path”. This means that their results were produced on the same basis that would be used when they exit the Fund and their contribution rates have been set to achieve full funding on that basis. This is a more prudent but also more transparent approach than in previous years. The aim is to facilitate realistic discussion, with the employers, about long term affordability of remaining in the Fund.
- 3.4 We have also implemented a more prudent approach for Further and Higher Education organisations by reducing the length of time permitted to reach their funding target from 20 years to 15 years. This reflects the increased risk these organisations pose to the Fund as a result of the Government no longer providing a guarantee for these employers.
- 3.5 We have implemented a less prudent approach for contractors, reducing the required probability of success from 70% to 55%. This is to reflect their usually short term participation in the Fund and avoid the need to pay exit credits to contractors when they cease participation. The liabilities of these employers are usually secured by a bond and are ultimately guaranteed by the authority that has contracted them.

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. (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)
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. (Objective no 3)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)
Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer. (Objective no 9)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (Objective no 15)

5. Finance and Resources Implications

- 5.1 None

6. Risk Management

- 6.1 The Fund carries out an actuarial valuation of all Fund members every three years. The Pension Committee and Local Pension Board are expected to be involved in this process and make informed decisions where necessary.
- 6.2 The risks associated with failing to be involved in the process and make required decisions have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 2)	Those charged with the governance of the Fund are unable to fulfil their responsibilities effectively.	Green
Governance (risk 18)	Failure to provide adequate information to the Committee and Board.	Green
Administration and Communication (risk 33)	Failure to act upon expert advice or risk of poor advice.	Green
Administration and Communication (risk 40)	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	Green

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

7. Communication Implications

Direct Communications	Not applicable
Website	Not applicable

8. Legal Implications

- 8.1 Not applicable

9. Consultation with Key Advisers

- 9.1 Consultation with the Fund Actuary has been undertaken throughout the valuation process.

10. Alternative Options Considered

- 10.1 Not applicable

11. Background Papers

- 11.1 Not applicable

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 16 th January 2020

CAMBRIDGESHIRE PENSION FUND BOARD AGENDA PLAN		Agenda Item: 12
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Meeting date	Agenda item	Lead officer	Deadline for draft reports	Pension Fund Committee approval date (where applicable)
31/1/2020	Minutes 04/10/19 and Action Log	R Sanderson		
	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		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Communication Strategy [pre scrutiny]	C Blose		19/03/2020
	Pension Committee Minutes 10/10/19 & 14/01/20	R Sanderson		
24/4/2020	Minutes 31/1/20 and Action Log	R Sanderson		
	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		

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Pension Fund Committee approval date (where applicable)
	Funding Strategy Statement [post scrutiny]	C Blose		19/03/2020
	Admitted bodies, Scheme Employers and Bulk Transfer Policy [post scrutiny]	C Blose		19/03/2020
	Asset Pooling [current standing item]	P Tysoe		
	Administration Strategy [pre scrutiny]	C Blose		18/06/2020
	Progress report on Aon's action plan following effectiveness review [to note]	M Oakensen		
	Business Plan and Medium Term Strategy [post scrutiny]	M Whitby		22/03/2020
	External Audit Plan [to note]	B Barlow		
	Environmental, Social and Governance Paper	P Tysoe		
	Pension Committee Minutes 19/03/2020	R Sanderson		
03/07/2020	Minutes 27/4/20 and Action Log	R Sanderson		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Employers Admissions and Cessations Report [standing item]	C Blose		
	Valuation Update [current standing item]	C Blose		
	Asset Pooling [current standing item]	P Tysoe		
	Administration Strategy [post scrutiny]	C Blose		
	Training Strategy [post scrutiny]	M Oakensen		18/06/2020

Meeting date	Agenda item	Lead officer	Deadline for draft reports	Pension Fund Committee approval date (where applicable)
	Effectiveness Review [to note]	M Oakensen		
	Annual Report and Statement of Accounts [pre scrutiny]	Ben Barlow		Joint feedback
	Pension Committee Minutes 18/06/2020	R Sanderson		
2/10/2020	Minutes 03/07/20 and Action Log	R Sanderson		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Asset Pooling [standing item]	P Tysoe		
	Terms of Reference review [approval]	M Oakensen		
	Pension Committee Minutes 23/7/20	R Sanderson		
22/1/2021	Minutes 2/10/2020 and Action Log	R Sanderson		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Employers Admissions and Cessations Report [standing item]	C Blose		
	Pension Committee Minutes 8/10/2020 & 3/12/2020	R Sanderson		

