



PENSION FUND COMMITTEE

Date: Thursday, 20 October 2016

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

Shire Hall

Castle Hill

Cambridge

CB3 0AP

10:00hr

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-dec-of-interests>
- 2. Minutes and Action Log of the Pension Fund Committee 28th July 2016** **5 - 12**
- 3. Governance and Legislation Report** **13 - 20**
- 4. Pension Fund Annual Business Plan Update report 2016-17** **21 - 36**
- 5. Employers Admission and Cessations report** **37 - 44**
- 6. Asset Pooling** **45 - 48**

7. Break

8. Risk Register

49 - 68

9. Funding Strategy Statement and Valuation Assumptions

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

10. Date of next meeting: Thursday 8th December 2016 (10:00am)

The Pension Fund Committee comprises the following members:

Councillor Roger Hickford (Chairman) Councillor Maurice Leeke (Vice-Chairman)

Mr Gareth Deeble Councillor Andrew Fraser Mr Matthew Pink Councillor David Seaton and Mr John Walker Councillor Peter Ashcroft Councillor Noel Kavanagh Councillor Gail Kenney and Councillor Joshua Schumann

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@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 <http://tinyurl.com/cambs-constitution>.

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MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 28th July 2016

Time: 10:00am – 12.35pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present:

Councillors P Ashcroft, R Hickford (Chairman), N Kavanagh, M Leeke (Vice Chairman); G Deeble and M Pink

Officers: D Cave, S Heywood, R Perry, S Pilsworth, P Tysoe and M Whitby

Others in attendance: J Holden (Mercers) and Councillor M Shellens

Apologies: J Walker

75. DECLARATIONS OF INTEREST

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

76. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS

The Committee considered the draft Annual Report and Statement of Accounts (SOA) of the Pension Fund for the 2015-16 financial year. It was noted that there had been no major changes in format since last year, and the format was that prescribed by regulations and CIPFA. Both documents had had been subject to audit fieldwork by the County Council's new external auditor, BDO.

Members noted:

- the increase in contributions compared to the previous year, partly attributable to the increase in membership and number of active employers;
- less income had been earned from investments, and there was a corresponding reduction in Management Expenses (due to the reduction in performance related fees). This was due in part to market volatility, especially the fall in equity values the summer of 2015. Since the

Referendum, the Fund had benefitted from its investment in global equities;

- officer concerns regarding the approach and lateness of some of BDO's activities as part of the external audit. The Chairman asked what officers were doing to ensure that the situation was improved. Officers confirmed that there would be a post audit discussion to pick up issues, after the main audit of the County Council's accounts. It was noted that there was potentially an issue about the final pension audit feeding in to employers' accounts if it was received late.

At the invitation of the Chairman, Councillor Shellens addressed the Committee as Chair of the Audit & Accounts Committee, regarding a recent report presented to that Committee on the valuation of the County Council's pension liability as at 31/03/16. Those figures suggested an £80M improvement in the Council's liability, almost entirely due to the change in the discount rate used to evaluate cost to us of future benefits: that rate had increased from 2.1 to 3.5%. The Committee had expressed concerns that the improvement appeared to skew the reality of the funding position, when in reality there were declining funding levels. When questioned, officers advised that this figure came from Hymans. An explanation was therefore sought from Hymans, and once received Councillor Shellens would be happy to share this with the Pension Fund Committee. Officers advised that there were two different valuations, and the IAS19 accounting valuation was very prescriptive and gave very little latitude for the actuary or auditor to choose the discount rate. This was very different to the triennial valuation. Officers agreed that it was unfortunate that the accounting showed an apparent improvement when intuitively funding was falling. It was confirmed that every Fund would be following a 3.5% long term gilt rate. The Chairman thanked Councillor Shellens for bringing this issue to the Committee's attention, and said it was always right to challenge such things.

A Member queried the issues on the timing of BDO's audit and whether the concern was due to the slippage of the audit work programme, or comments made by BDO. Officers confirmed that the concern was that BDO had not concluded their work, and did not relate to comments or finding. Officers had engaged with BDO early and meaningfully, and completed all the work required of them.

A Member observed that the Pension Fund Committee did not appoint its auditors directly, and that this reduced any leverage the Committee may have, so any representation needed to go to those who did appoint, particularly the timescale issue. Officers confirmed that the audit had finished for the Northamptonshire Fund, and that BDO were not the auditors for that Fund.

A Member commented that whilst generally the Committee would welcome expenses going down, this was not the case for investment management fees where this arose from a reduction in performance related fees. He added that regrettably, the overall Fund return below benchmark by 2.1% was the most significant figure in whole report.

The statement in the covering report that retirees were not maximising their lump sum options and *“this may be significant for projecting future year costs”* was queried. Officers advised that this was likely to be a one off, not an indicative trend, and this was dependent upon decisions made by individual scheme members.

In response to a Member question, it was confirmed that when BDO took over, there had been a handover from the previous auditor. It was confirmed that officers would be having their own debrief on issues relating to the audit in August, and there would be a report to the next Pension Committee on progress. **Action required.** It was also agreed that officers would brief Councillor Shellens, as Chairman of the Audit & Accounts Committee, on these issues outside the meeting before September, as he was a signatory to the statutory accounts. **Action required.**

Scheme members and other stakeholders were aware of the pooling arrangements, and also whether the political impetus had changed i.e. the former Chancellor of the Exchequer had a strong appetite for large funds creating infrastructure investment opportunities – could this change? Officers advised that they were not envisaging any changes on the national pooling proposals. Employers were being advised of the pooling arrangements through the employer forums, and scheme members through communications on the web portal. Discussion with employers had been around infrastructure investment opportunities and the potential cost savings that pooling presented, and there were some concerns that the huge cost savings that government were predicting would not be realised. The Chairman commented that the focus on fee savings through pooling was misdirected, greater returns would be achieved by focusing on performance and returns from fee managers.

It was resolved unanimously to:

1. approve the Draft Annual report and note the Statement of Accounts of the Pension Fund for the 2015-16 financial year;
2. approve that the Chairman agrees with Officers any immaterial amendments to the Annual Report arising from External Auditor review comments.

77. WM STATE STREET GLOBAL SERVICES ANNUAL PERFORMANCE REVIEW TO 31 MARCH 2016

Jo Holden presented a report which reviewed the investment market environment and the performance of the Fund's investments for the year to 31st March 2016, relative to LGPS peers. She explained that this would be State Street/WM's final report, as they had ceased to provide performance reporting to the Local Authority (LA) Universe. PIRC, an organisation which provided stewardship services to LA forums, had recently indicated that they would be providing an alternative peer group analysis that would initially replace the State Street universe reporting.

Turning to the report, Members noted:

- returns from equities were generally poor globally for the year up to 31st March 2016, and bond performance was also much more subdued. In contrast, private equity and property had performed well over the last 12 months;
- equities and bonds had provided similar returns over the last twenty years. By contrast, property and private equities had provided better returns over the same period. The Investment Sub-Committee were currently reviewing Alternatives, and had expressed a preference for tangible, long term physical assets such as property, with simple, transparent structures. Increasingly, more Funds were diversifying into Alternatives, which now formed a greater part of the average Fund's allocation. Cambridgeshire had slightly more in equities, and less in Alternatives, than the average Fund;
- given future uncertainties, achieving real returns above inflation was crucial, not only against notional liabilities, but the very real pensioner payroll;
- over the last twelve months, returns would have increased by 0.2% had they been invested passively: actual performance was -1.9%. The report identified how much of this underperformance was due to bad asset allocation decisions, and how much was due to manager decisions;
- longer term, the Fund had underperformed slightly. Last year, the Investment Sub-Committee had gone through a rigorous selection process to appoint new asset managers. The two appointed – Dodge & Cox, and JO Hambro - had both significantly underperformed, but ultimately they had replaced poorly performing managers. A Member acknowledged this point, but observed that performance over 5 and 10 year periods should be better, but it was worse;
- the structure of the Cambridgeshire Fund was relatively simple compared to others, and part of the manager review last year had been to streamline it further. LGPS funds were criticised for churning managers too frequently – it was important not to change managers reflexively, following a bad year.

The Chairman commented that the one thing that needed to be right was the strategy, and this had to be consistent. Different advice had been given i.e. the Fund was advised to hedge against inflation with equities, then bonds, and was now being told that it needed to be less risk-averse, but chopping and changing strategy was wrong. He agreed with the analysis of the new fund managers appointed last year, as they had a long term strategy. If the position was reviewed as at the current date i.e. following the rally in markets after the Referendum, it would not look as bad, so to some extent the poor performance tabled reflected a timing issue. Another Member observed that the more that was invested in bonds, the harder the rest of the allocations had to work. Jo commented that there were two clear aims: (i) risk management and (ii) recovering funding level. Over time equities provided a good inflation hedge, but they would not provide protection against a shock, and that was what would give the Fund problems.

The Chairman reiterated the view he had given at previous meetings, that it was unrealistic to aim for 100% funding in the short term – the Fund needed to consolidate and take advantage of market movements, rather than having strategy dictated by an unrealistic expectation of being 100% funded. Another Member suggested that whilst he was concerned about funding levels, he was also very critical about how liabilities were valued. Was it possible for the Fund to have its own view of what overall liabilities should look like, so that the focus was on asset values? This would help the Fund achieve a stable regime looking forward, to deliver benefits when they are due, rather than on the whim of stock market. In response, Jo advised that whilst the four actuarial firms that worked within LGPS were all bound by the same rules and had to project liabilities going forward, all used different methods of valuing liabilities: (i) Inflation, (ii) gilts, (iii) smoothing of returns over time, (iv) projected real rates, so there was choice on how liabilities was valued. There would soon be more information available on how other LGPS funds value their liabilities. The Committee does have a say in what assumptions underlie those liabilities.

It was resolved to note the Annual Performance and Benchmarking Review.

78. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part

1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

79. ANNUAL REVIEW OF THE FUND'S INVESTMENT MANAGERS

The Committee received a presentation from Jo Holden on the Fund's Investment Managers.

It was resolved to note the Annual Review of the Fund's Investment Managers.

80. INVESTMENT MANAGER FEE REVIEW

The Committee received a report on the fees paid by the Fund to its Investment Managers.

It was resolved to note the review of the fees paid by the Fund to its investment managers.

81. CUSTODIAN MONITORING

The Committee considered a report on the performance of the Fund's Custodian, focusing on the efficiency of its Investment Managers for the year to 31st March 2016. Margaret Delman, Head of Monitoring at Mercer Sentinel, gave a presentation on the performance of the Fund's Custodian, Northern Trust.

It was resolved to note the Annual Custodian monitoring report.

74. DATE OF NEXT MEETING: 20 OCTOBER 2016 (10am)

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Agenda Item: 2

Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 28 July 2016 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 16 September 2016.

Outstanding actions from 24 March 2016 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
51	Pension Fund Annual Business Plan and Medium Term Strategy, 2016-17 to 2018-19	Mark Whitby	In a discussion about cash flows, it was agreed that this information would be provided on an annual basis. There was a discussion on the 'appropriate gap' if it was anticipated that cash flow would become negative in future (i.e. benefits exceeding contributions), so that strategy could be adjusted accordingly. It was noted that there would be a significant review of valuations in 2019. It was noted that cash flow were based on known activity levels, but there was an option to model different scenarios. It was agreed that it would be useful to model the impact on the Fund e.g. of a 10% reduction from of income from the top ten employers.	Ongoing - A pro forma questionnaire was received from the Scheme Actuary, this was reviewed and amended by officers to tailor the questionnaire to specific types of employer. The questionnaire was sent to employers in July and responses have been collected and are currently being reviewed to help inform the risk profile of each employer. The results from the largest employers will be used to inform modelling on different cash flow scenarios.

Outstanding actions from 7 July 2016 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
71	Employer Admission and Cessations Report	Mark Whitby	Officers advised that academy admissions had been debated at length at a previous Committee, and agreed to email all Members the relevant report.	Completed – e-mail sent 25 July 2016
71	Employer Admission and Cessations Report	Mark Whitby	A Member queried whether Netherhall School was part of multi Academy trust	Completed – e-mail sent 25 July 2016

Outstanding actions from 29 July 2016 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
76.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	It was confirmed that officers would be having their own debrief on issues relating to the audit in August, and there would be a report to the next Pension Committee on progress.	Completed - Officers held a debriefing on 28 September highlighting actions to be taken internally to improve the closedown process and issues to be carried forward for discussion with the auditors at a meeting on 1 November 2016.
76.	Pension Fund Annual Report and Statement of Accounts	Paul Tysoe	Officers would brief Councillor Shellens, as Chairman of the Audit & Accounts Committee, on the issues relating to the audit outside the meeting before September, as he was a signatory to the statutory accounts	Completed – Meeting took place on 16 September 2016.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Governance and Legislation Report
Purpose of the Report	To provide the Pension Committee with: 1) Information on issues concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis; 2) Information on new or amending legislation affecting the LGPS; 3) Details of relevant consultations affecting the LGPS; and 4) Details of forthcoming training events.
Recommendations	That the Pensions Committee notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 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 new, amending and overriding legislation that will have an impact on how the Scheme is managed and on members' benefits.

2. Governance – Activities of the Scheme Advisory Board

2.1 Board Update

- 2.1.1 The Scheme Advisory Board met on 1 August 2016 and considered and agreed its proposed terms of reference. These will now be sent to the Minister for approval. The Minister will also receive the Board's suggested budget (£384,375) and work plan for 2016/17. The budget will be submitted along with a suggestion that the Board's secretariat, through an additional post, provide support to the DCLG. The purpose of the post would be to ensure the Board's recommendations are given the degree of consideration and research necessary for the effective development of the Scheme.

- 2.1.2 Also at this meeting Scheme Advisory Board agreed to proceed with the selection process to fill the vacant non-voting member seat which has been allocated to practitioners. Seven nominations were received by the closing date for nominations and so an election process was carried out to complete the process. Each LGPS administering authority with an open fund was invited to cast one vote for their preferred candidate. A vote was held in August with Nicola Mark of Norfolk Pension Fund being the preferred candidate.
- 2.1.3 The final result issued on 20 September 2016 was for Nicola Mark to fill the non-voting practitioner member seat on the Local Government Pension Scheme Advisory Board.
- 2.1.4 A report was considered by the Scheme Advisory Board on the issues of asset pooling in the Local Government Pension Scheme (LGPS). The Board agreed that the Chair write to the Minister expressing concern over the delay in approving submitted asset pool investment proposals and reinforcing the case for consistency and equality in assessment against the four criteria with a degree of pragmatism. It further agreed that the Chair write to the Secretary of State (copy to the Minister) requesting a meeting to discuss the Government's latest approach to infrastructure investment, particularly the issue of cost and/or risk sharing.

The full update can be found at -

<http://www.lgpsboard.org/index.php/about-the-board/board-updates>

3. Governance – Activities of the Pensions Regulator

3.1 Prosecution Policy

- 3.1.1 There are a number of criminal offences concerned specifically with workplace pensions. The Pensions Regulator has the power to prosecute these offences, as well as other offences that form part of the same facts or events or are otherwise connected to enforcement functions.
- 3.1.2 The Pensions Regulator has produced a policy that identifies a risk-based approach to prosecution decisions, considers each case on its particular facts and explains how they will use their prosecution powers. The annex of the policy lists the criminal offences under workplace pension's legislation and can be found at –

<http://www.thepensionsregulator.gov.uk/docs/prosecution-policy.pdf>

3.2 Public service pensions scheme return

- 3.2.1 The Pensions Regulator has issued its annual scheme return for public service pension schemes, which each LGPS fund has a legal duty to complete.
- 3.2.2 The return was submitted on behalf of Cambridgeshire Pension Fund ahead of the 11 August 2016 deadline.
- 3.2.3 More information about the scheme return and the information required is available on the Pensions Regulator's website -

<http://www.thepensionsregulator.gov.uk/public-service-schemes/reporting-duties.aspx>.

4. Pensions and Lifetime Savings Association (PLSA) survey of LGPS pension funds

4.1 The Pensions and Lifetime Savings Association is currently undertaking its annual survey of LGPS pension funds with the aim of obtaining insights into the changing landscape in which pension schemes operate. The deadline for responses was 29 August 2016 which was met by Cambridgeshire Pension Fund. The results of the survey will be shared with the Pension Committee once they become available.

4.2 In addition, the Pensions and Lifetime Saving Association have issued the first of a series of guides for employers participating in the LGPS:

- Guide for employers participating in the LGPS: An introduction to the LGPS for scheduled bodies; and;
- Guide for employers participating in the LGPS navigating entry into the LGPS: for local government contractors.

Both documents are available on the PLSA's website and later this year there are plans to issue further guides for employers, focusing on participating and leaving the scheme.

<http://www.plsa.co.uk/PolicyandResearch/DB/Employers-participating-in-the-LGPS.aspx>

5. Consultations

5.1 Local Government Pension Scheme Regulations

5.1.1 On 27 May 2016 the Department for Communities and Local Government issued a 12 week consultation on a number of changes to the Local Government Pension Scheme in England and Wales.

5.1.2 The consultation focussed on the long awaited changes being proposed to accommodate New Fair Deal as well as specific draft regulations that would provide members with more options for using their Additional Voluntary Contributions in the scheme following the introduction of the Government's policy of Freedom and Choice in Pensions. The consultation also addressed draft regulations on how the scheme operates within the Public Sector Transfer Club and a number of draft amending regulations that are intended to improve the administration of the scheme.

5.1.3 The consultation closed on 20 August 2016. LGSS Pensions did not have capacity to respond to this consultation on this occasion, however, the response from the Local Government Association can be found at the following link;

<http://lgpsregs.org/images/Drafts/2016-05LGPSAmendsConsResponse.pdf>

5.2 Colleges Insolvency Regime

- 5.2.1 The Department for Business, Innovation and Skills (now transferred to the Department for Education) conducted a consultation in July 2016 on the development of an insolvency regime for further education colleges and sixth form colleges.
- 5.2.2 On 28 July 2016 the DfE attended a meeting with 13 LGPS funds, which included LGSS Pensions representation in respect of Cambridgeshire Pension Fund and Northamptonshire Pension Fund to discuss the proposals and the possible impacts on the LGPS. DfE stated that whilst the proposed changes will provide for a formal framework via which a college's insolvency can be administered in the future, there will be no greater likelihood of a college becoming insolvent than there has been in the past. It is the view of the Government that the area review process currently ongoing should mean colleges should be financially more secure in the future.
- 5.2.3 In response, funds provided colleagues at DfE with a description of some of the issues associated with the participation of colleges in the LGPS. These issues included college's ongoing financial security in the absence of a Government guarantee of colleges' pension liabilities; and the absence of colleges' engagement with LGPS funds in the area review process. These issues were picked up in the Local Government Association's response to the consultation which can be found at the following link;
- <http://lgpsregs.org/images/Drafts/2016-07FEInsolvencyConsResponse.pdf>
- 5.2.4 Following the meeting the Local Government Association undertook a survey of pension funds in England and Wales to provide a firmer idea of the scale of liabilities that further education and sixth form colleges represent in the LGPS. The findings of this survey will be shared with the Pension Committee once they become available.

6. Legislation

6.1 Guidance on Preparing and Maintaining an Investment Strategy Statement

- 6.1.1 On the 15 September DCLG issued the above new guidance. New investment regulations published on 23 September 2016 include a requirement for administering authorities to publish new Investment Strategy Statements by 1 April 2017 in accordance with this new guidance. Administering authorities will be required to act in accordance with the provisions in this guidance when Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 comes into force from 1 November 2016. An administering authority's duty to prepare, maintain and review their Funding Strategy Statement under Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") is unaffected.

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

- 6.2.1 These Regulations, which come into effect on 1 November 2016, make provision in relation to the management and investment of pension funds held by administering authorities required to maintain such funds by the Local Government Pension Scheme Regulations 2013.
- 6.2.2 The most significant amendment surrounds Regulations 7 and 8 which respectively require authorities to publish an investment strategy in accordance with guidance issued by the Secretary of State and enable the Secretary of State to issue a direction to any authority which fails to comply with its statutory obligations as regards its pension fund or which fails to act in accordance with the guidance.

7. Training Events

- 7.1 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 Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 7.2 In order to facilitate the acquisition of skills and knowledge, **appendix 1** lists all events that are deemed useful and appropriate.
- 7.3 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.

8. 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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

9. Finance & Resources Implications

- 9.1 Not applicable

10. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this report		Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
That the Committee are ill-informed about important consultations and changes affecting the Fund they are responsible for administering	Red

11. 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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12. Legal Implications

12.1 There are no legal implications connected to the contents of this report.

13. Consultation with Key Advisers

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

14. Alternative Options Considered

14.1 There are no alternative options to be considered.

15. Background Papers

15.1 Not applicable

16. Appendices

16.1 Appendix 1 - List of training events/conferences

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

Appendix 1

Internal/External training and events 2016-17

The list of training events will be updated as we become aware of definitive dates and new events. We will also continue to email details of the training events as soon as we are notified where we feel members of the Pension Committee, Investment Sub-Committee and Pension Fund Board will benefit from attending.

2 February 2016	LGSS Triennial Valuation Training Day (NPF)	2	Officers, Committee/Board Members
3 February 2016	LGSS Triennial Valuation Training Day (CPF)	2	Officers, Committee/Board Members
26 February 2016	Schroders Trustee Training (Part 1)	1	Committee/Board Members
3 – 4 March 2016	LGC Investment Seminar	2	Officers, Committee/Board Members
15 April 2016	Schroders Trustee Training (Part 2)	1	Committee/Board Members
16 - 18 May 2016	PLSA Local Authority Conference	2	Officers, Committee/Board Members
June 2016 tbc	Heywood Class Group AGM	2	Officers
10 June 2016	Schroders Trustee Training	2	Officers, Committee/Board Members
23 – 24 June 2016	13 th Annual LGPS Trustees Conference	3	Committee/Board Members
29 June 2016	Local Pension Board – One year on Seminar	2	Board Members
19 – 20 July 2016	LGC Pension Fund Symposium	2	Officers
8 – 9 September	LGC Investment Summit	3	Officers, Committee/Board Members
28 September 2016	CIPFA – Introduction to the LGPS	2	New Committee/Board Members
October 2016 tbc	Heywood User Group	2	Officers
6 October 2016	Fundamentals XV 2016 – Day 1	2	Officers, Committee/Board Members
19 – 21 October 2016	PLSA Annual Conference and Exhibition	2	Officers, Committee/Board Members
1 November 2016	Fundamentals XV 2016 – Day 2	2	Officers, Committee/Board Members
2 November 2016	PLSA Local Authority Forum	2	Officers, Committee/Board Members
8 November 2016	UBS Seminar Steps 1	2	Officers, Committee/Board Members
22 November 2016	UBS Seminar Steps 2	2	Officers, Committee/Board Members
22 – 23 November 2016	Pensions Managers' Annual Conference	4	Officers
29 November 2016	Fundamentals XV 2016 – Day 3	2	Officers, Committee/Board Members
8-9 December 2016	LAPFF Annual Conference	3	Officers, Committee/Board Members

With effect from October 2015, the National Association of Pension Funds (NAPF) was renamed Pensions and Lifetime Savings Association (PLSA).

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2016-17
Purpose of the Report	To present the second Pension Fund Business Plan Update for the 2016-17 financial year to the Pension Committee.
Recommendations	The Committee are asked to note the attached Pension Fund Business Plan Update for the 2016-17 financial year.
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the key activities and ensures that the Pension Fund's objectives are being met.

2. Business Plan Update

2.1 Altair Pensioner Payroll Update

- 2.1.1 Parallel running was completed during August and September, having completed user acceptance testing of the migration data in July. The results of the two parallel periods were very successful and so a decision was made by the Payroll Project Board to go live with Altair Payroll with effect from October.
- 2.1.2 Feedback received from Pensions Administration staff is that the Altair Payroll is much simpler and quicker to use and this will be increasingly the case once the Altair pension administration records are fully merged with the Altair pension payroll records which is scheduled to be carried out in November and December.

2.2 Overpayment of Pensions

2.2.1 During the reporting period (May, June July and August) there were no individuals in receipt of a pension that were overpaid.

2.2.2 During the period, 77 scheme members passed away and the date of notification to the Fund resulted in an overpayment of the late member's pension. There are currently 4 of these cases being pursued for recovery of the overpayment.

2.2.3 The information in 2.2.1& 2.2.2 is summarised in the following table:

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	In the process of recovery	£0	
Death of a Pensioner /Dependent	Written off	£6,035.39 (73 Cases)	£13,146.54
	In the process of recovery	£7,111.15 (4 Cases)	

2.2.4 In this period, £2,803.91 has been recovered for the 2015-16 financial year and £1,299.28 has been recovered to date for the current financial year across all overpayment types.

2.3 2016 Valuation of the Pension Fund

2.3.1 Fund data has been sent to actuary and queries regarding the data have been resolved. The actuary is now in the process of calculating the whole fund results which will be presented to the Pension Committee under a separate report. Following this individual employer results will be calculated.

2.3.2 The risk profile of employers is currently also being reviewed to assist with setting the appropriate contribution rates. The most risky employers will be identified so that it can be decided whether any further investigation is required.

2.3.3 An employer forum and valuation briefing for the County, District and Borough Councils' Chief Financial Officers have also been booked for mid to late November in order to discuss the initial valuation results for those scheme employers.

2.4 Estimated funding position

2.4.1 The Hyman's Navigation Summary provides details of the Fund's funding position at the last quarterly interval. The position as at 31 March 2016 is detailed in 2.4.2.

2.4.2 The funding level as at the latest formal valuation was 72.4%. As at 31 March 2016 the funding level decreased to 67.4%. This is largely as a result of a decrease in bond yields (net of inflation), and subsequent discount rate, which places a higher value on the Funds liabilities. This has only been partially offset by greater than expected asset returns.

2.5 Variances against the forecast of investments and administration expenses

2.5.1 The following table provides a breakdown of the fund account and supporting tables detailing management expenses from 1 April 2016 to 31 August 2016. These figures reflect against the original estimate and inform typical reasons for variances with additional specific detail where necessary.

	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Contributions	(111,082)	(123,000)	11,918	Variance due to increased active membership, evidenced by 2015/16 outturn of £118,843k being greater than 16/17 estimate.
Transfers in from other pension funds	(5,370)	(5,370)	0	Demand led
TOTAL INCOME	(116,452)	(128,370)	11,918	
Benefits payable	92,784	97,000	4,216	Variance due to increased pensioner membership, evidenced by 2015/16 outturn of £92,374k being close to 16/17 estimate.
Payments to and on account of leavers	5,370	5,370	0	Demand led.
	98,154	102,370	4,216	
Management Expenses	7,855	7,969	0	See tables below
TOTAL INCOME LESS EXPENDITURE	(10,443)	(18,031)	(7,588)	
Investment Income	(28,000)	(28,000)	0	No variance
Taxes on Income (Profit) and losses on disposal of investments and changes in the market value of investments	(73,000)	(73,000)	0	No variance
Net return on investments	(101,000)	(101,000)	0	
Net (increase)/decrease in the net assets available for benefits during the year	(111,443)	(119,031)	(7,588)	

Management Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	
Total administration expenses	2,249	2,363	114	See below
Total governance expenses	428	428	0	No variance
Total investment expenses	5,178	5,178	0	See below
Total Management Expenses	7,855	7,969	114	

Administration Expenses	2016-17 Estimate	2016-17 Forecast	Variances	Comments
	£000	£000	£000	£000
Staff related	1,184	1,204	20	Part year revised budget to reflect additional posts
Altair system	259	259	0	No variance
Altair payroll project	0	94	94	Costs to complete Altair project
Communications	64	64	0	No variance
Other non pay and income	40	40	0	No variance
County Council overhead recovery	702	702	0	No variance
Total Administration Expenses	2,249	2,363	114	

Investment Expenses Analysis	2016-17 Estimate	2016-17 Forecast	Variances	£000
	£000	£000	£000	
Management fees	4,720	4,720	0	No variance
Investment expenses	458	458	0	No variance
Total Investment Expenses	5,178	5,178	0	

2.6 The Crystal Mark Standard

2.6.1 One of the Fund's objectives during 2016-17 was to obtain a plain English accreditation in respect of all communications.

2.6.2 The Plain English Campaign looks for documents to be as clear as possible for its intended readers, such as:

- the use of 'everyday' English;
- consistent and correct use of punctuation and grammar;
- an average sentence length of 15 to 20 words;
- plenty of 'active' rather than 'passive' verbs;
- explanations of technical terms;

- good use of lists;
- words like 'we' and 'you' instead of 'the Society' or 'the applicant';
- clear, helpful headings, which stand out from the text; and
- a good type size and a clear typeface

2.6.3 The joint communication group of which both Cambridgeshire Pension Fund and Northamptonshire Pension Fund are a part of alongside nine other LGPS funds submitted a copy of the 2015-16 annual benefit statement for active members to obtain a Crystal Mark standard from the Plain English Campaign.

2.6.4 Feedback was provided by the Plain English Campaign and the group incorporated this into 2015-16 active member annual benefit statements. This means that this specific communication carries the Crystal Mark standard.

2.7 Professional Pensions Award

2.7.1 The LGSS Pensions Service was shortlisted for the Professional Pensions award in Trustee Development. The awards night was held on 14 July 2016 and although the award went to Tesco Pension Scheme the service was credited as a finalist at the event and branding has been provided for this.

2.8 The 2016 LAPF Investment Awards

2.8.1 Paul Tysoe the Funding and Investment Manager was nominated for an outstanding contribution of the year award. The nomination was for all the work invested on the ACCESS pool set up. He was a finalist for the award but did not unfortunately win.

2.9 Pensions Service Improvement Plan

2.9.1 Following the publication of the annual LGSS Customer Survey, individual service areas, including LGSS Pensions, identify improvements that can be in service delivery.

2.9.2 As part of our service improvement plan we have:

- Progressed through the Customer Service Excellence Standard, including a focus on improving the responsiveness of LGSS Pensions
- Improved communication with customers over task timescales
- Made it easier to contact LGSS Pensions by introducing further telephone hunt groups and improved coverage of telephone numbers
- Introduced further managerial oversight of the workflow system to improve identification of individual ownership/performance issues

2.10 LGSS Pensions Service and scheme employer Key Performance Indicators

2.10.1 The performance for LGSS Pensions Service for the period 1 May 2016 to 31 August 2016 is as follows -

Key Performance Indicators	Target	Month			
		May 2016	June 2016	July 2016	August 2016
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%	86%	99%	96%	98%
Payment of retirement benefits from active employment. (Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later).	95%	98%	97%	96%	100%
Award dependant benefits. (Issue award within 5 working days of receiving all necessary information).	95%	100%	96%	90%	93%
Provide a maximum of one estimate of benefits to employees per year on request. (Estimate in agreed format provided within 10 working days from receipt of all information).	90%	84%	82%	89%	80%
Provide transfer-in quote to scheme member. (Letter issued within 10 working days of receipt of all appropriate information).	95%	100%	100%	90%	96%
Notify the employer and scheme members of changes to the scheme rules. (Within one month of the LGSS Pensions Service being informed of the change).	95%	100%	100%	100%	100%
Issue annual benefit statements to active members as at 31 March each year. (By the following 31 August - pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	N/A	N/A	N/A
Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	100%	100%	100%	100%

2.10.2 The full analysis of data for the May, June, July and August statistics along with explanations on the lower than expected performance can be found in **Appendix 1** of this report.

2.10.3 The performance for scheme employers for the period 1 May 2016 to 31 August 2016 is as follows -

Key Performance Indicators	Target %	Month %			
		May 16	Jun 16	Jul 16	Aug 16
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	100%	98.2	97.1	97.2	N/A
Provide LGSS Pensions Service with accurate year end information in the prescribed format by 30 April following contribution year end.	100%	66.45	N/A	N/A	N/A

2.10.4 A total of 31.70% of year end submissions were received on time and in the correct format. A further 67.84% were received after the 30 April deadline and 0.44% to date have not been received. The 0.44% represents 2 small employers with a total of 7 employees in the LGPS.

2.10.5 The timeliness of year end submissions has a direct impact on the issuing of the annual benefit statements. This year has seen the first electronic statements issued on member self-service and the web site has been updated to ensure information is available from a link on the front screen. Only 155 members have opted out so far and work will continue over the upcoming months to ensure awareness is increased to members of the Fund in order that they have access to their pension information.

Verbal update to be provided on the number of members accessing member self-service records for the period 31 August 2016 – 14 October 2016.

2.11 Timeliness of employer and employee pension contributions

2.11.1 The following table 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 (after the 19th of the month following deduction) for the period 1 August 2015 to 31 July 2016.

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
August 2015	97.5	2.5	94.7	5.3
September 2015	98.0	2.0	93.9	6.1
October 2015	97.1	2.9	94.2	5.8
November 2015	98.6	1.4	95.9	4.1
December 2015	98.9	1.1	98.0	2.0
January 2016	97.3	2.7	98.9	1.1
February 2016	98.9	1.1	98	2.0
March 2016	97.6	2.4	97.3	2.7
April 2016	96.3	2.7	94.5	5.0
May 2016	97.0	3.0	95.3	4.7
June 2016	97.2	2.8	96.9	3.1
July 2016	97.2	2.8	99.1	0.9
Average for period	97.6	2.4	96.4	3.6

- 2.11.2 Persistent late payments are reported if an employer is late paying contributions to the Fund more than once within the reporting period or 3 months in a rolling 6 month period. On this basis there were four employers that made multiple late or non-payments during the period.
- 2.11.3 Two of the cases are cheque paying employers who have been advised that cheques are no longer accepted. From March 2016 cheques received have been returned to each employer and until an alternative payment is made this is deemed as non-payment.
- 2.11.4 One case is in respect of a large employer who has made two late payments and two non-payments for the period. A meeting has been scheduled between the Employer Services and Systems Manager with the Employer to resolve the matter as priority. **A verbal update will be provided as to the outcome of the meeting and whether the Employer should be reported to the Pensions Regulator.**
- 2.11.5 The remaining case has no clear explanation of why contributions were late/missing and they have been reminded of their statutory obligations. If these cases are not resolved (or re-offense) we will deem them as material significance and will be reporting them to the Pensions Regulator
- 2.11.6 The previous case whereby one Employer had not paid contributions to the Fund and had subsequently gone insolvent has now been fully resolved as the letting authority has now paid the outstanding monies to the Fund.

3. Relevant Pension Fund Objectives

Continually monitor and measure clearly articulated objectives through business planning. <i>Objective 4</i>

4. Finance & Resources Implications

4.1 The financial and resource implications are set out in the Business Plan.

5. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There is no risk associated with this as the content has been agreed in the Business Plan	Approved Business Plan	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not have a Business Plan Update the Fund will have significant lack of direction, control and structure in the management of its business.	Amber

6. Communication Implications

Direct Communications	The Business Plan Update will be presented to the Pension Committee at its quarterly business meetings.
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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 Not applicable

11. Appendices

11.1 Appendix 1 – Pensions Service KPI analysis for May, June, July and August.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 13/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

Appendix 1 – Pensions Service KPI analysis for May, June, July and August

May 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	640	553	87	86%	Cases outside of SLA target due to high volume of checking
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	66	65	1	98%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	43	43	0	100%	

Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	107	90	17	84%	Cases outside of SLA target due to high volumes of redundancy work, retirements and staffing issues.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	4	4	0	100%	
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	1	1	0	100%	

June 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	540	532	8	99%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	66	64	2	97%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	50	48	2	96%	
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	74	61	13	82%	Cases outside of SLA target as a result of a backlog of checking, from bulk estimate work carried out as a part training of new members of the team.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	6	6	0	100%	
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	2	2	0	100%	

July 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	560	535	25	96%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	74	71	3	96%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	30	27	3	90%	Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	93	86	7	92%	
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	29	26	3	90	Low volume of case work in this area and this impacts the percentage if there are cases not within target. Cases outside of target due to high volumes of work created by the clearance of a backlog of transfers and divorce work
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	0	0	0		

August 2016

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	Comments
Notify leavers of deferred benefit entitlement.	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	451	444	7	98%	
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	74	74	0	100%	
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	28	26	2	93%	Cases outside of target due to high volumes of work
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	108	86	22	80%	Cases outside of target due to high volumes of work and team changes.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	67	64	3	96%	
Payment of transfer out	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	7	7	0	100%	

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Employer Admissions and Cessations Report
Purpose of the Report	<ol style="list-style-type: none"> 1) To report the admission of one academy to the Cambridgeshire Pension Fund. 2) To report the admission of six admission bodies to the Cambridgeshire Pension Fund. 3) To further report on the cessations of two employers from the fund.
Recommendations	<p>That the Pension Committee</p> <ol style="list-style-type: none"> 1) notes the admission of the following academies to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • University of Cambridge Primary School 2) notes the admission of the following admission bodies to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Accent Catering Limited (Fulbridge Academy) • Action for Children (London Road Contract) • NPS Property Consultants • Mountain Healthcare • Kealey HR Ltd 3) Notes the cessation of the following bodies from the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Indigo Spa Management • Easy Clean Contractors – St Peters School
Enquiries to:	<p>Name – Mark Whitby, Head of LGSS Pensions Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk</p>

1. Background

- 1.1. The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Committee.

2. New Scheduled Bodies

- 2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes “a proprietor of an Academy” as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.
- 2.2 The LGPS Regulations recognise the proprietor of the Academy as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported as they are therefore not recognised as new scheme employers.

Date	New Academy/Trust
01/09/2015	University of Cambridge Primary School

- 2.3 Actuarial advice will be sought on appropriate employer contribution rates from the fund actuary and these will be advised to the new Academy proprietors.

3 New Admission Bodies

- 3.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states “*The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations.*”

- 3.3 A body which falls under paragraph 1(a) of Part 3 of Schedule 2 is an admission body that is a body which provides a public service in the United Kingdom which operates otherwise than for the purpose of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest. The committee has discretion over allowing entry to a body that falls under this paragraph.
- 3.4 The Pension Committee is asked to note that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i)

Date	New Admission Body	Background information
01/09/2015	Accent Catering Limited (Fulbridge Academy)	Fulbridge Academy has outsourced its catering services to Accent Catering Limited and has transferred its catering staff as part of this arrangement.
01/10/2015	Action for Children (London Road Contract)	Action for Children have been awarded the contract to provide respite care services for children and young people at Haviland Way and Woodford Lodge. Cambridgeshire County Council staff have been transferred to Action for children as part of the arrangement.
01/06/2016	Easy Clean (Godmanchester Primary School)	Godmanchester Primary School has outsourced its cleaning services to Easy Clean Contractors Ltd and has transferred some Cambridgeshire County Council cleaning staff, to Easy Clean Contractors Ltd, as part of this arrangement. This body is admitted under a Pass Through agreement meaning Godmanchester Primary School remains responsible for the pension liabilities.
01/06/2016	NPS Property Consultants	Peterborough City Council and NPS Property Consultants entered into a joint venture initiative to provide property related services to Peterborough City Council. As a result of this arrangement a number of staff transferred from Peterborough City Council to NPS Property Consultants.
01/04/2016	Mountain Healthcare	Cambridgeshire Constabulary have outsourced their Sexual Assault referral services and Custodial Healthcare service. As a result a number of Cambridge Constabulary staff have been transferred under TUPE arrangements to Mountain Healthcare. This body is admitted under a Pass Through agreement meaning Cambridgeshire Constabulary remains responsible for the pension liabilities.

Date	New Admission Body	Background information
01/04/2016	Kealey HR Ltd	Peterborough City College have outsourced their HR services. As a result Peterborough City Council agreed a closed Pass Through admission of Kealey HR Ltd from Peterborough City Council. The body is admitted under meaning Peterborough City Council remains responsible for the pension liabilities. The staff transferred under TUPE arrangements to Kealey HR Ltd.

4. Cessations

- 4.1.1 We have previously reported the cessation of Indigo Spa Management which ceased as an employer in the Fund following the termination of its arrangement with Huntingdon District Council, due to Indigo Spa becoming financially insolvent. Pension contributions were outstanding at the point of cessation and all attempts to contact Indigo Spa Management had been unsuccessful.
- 4.1.2 Following further attempts to contact Indigo Spa Management, the outstanding pension contributions were paid in full by Huntingdonshire District Council on 23 August 2016.
- 4.1.3 As previously reported, the pension liabilities transferred back to Huntingdonshire District Council at cessation therefore the cessation of Indigo Spa Management has now been completed.
- 4.2 Easy Clean were admitted to the Fund under a pass through admission agreement on 1 August 2013, as a result of a contract to provide cleaning services at St Peters School. This resulted in the transfer of Cambridgeshire County Council employees, to Easy Clean under TUPE regulations.
 - 4.2.1 The admission agreement has now ceased due to the last active LGPS member, under this contract, ceasing employment on the 20 April 2016. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission, all liabilities will pass back to Cambridgeshire County Council, as the ceding employer. As a result there is no cessation payment to be made.

5. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <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 manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

5. Finance & Resources Implications

- 5.1 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer.
- 5.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 5.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund. Measures to mitigate such an eventuality are readily available for admission bodies and set out in section 8 below.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
An admitted body does not pay the pension contributions due in full or on time. A late payments policy is in place which sets clear policies on how we deal with late or non-payment of contributions.	Further to this, there is the ability, under the terms of the admission agreement, to require the letting authority to set off against any payments due to the Admission Body an amount equal to the sum due and pay the sum to the Fund.	Green

A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
Future pension liabilities that cannot be supported by the Academy.	A parliamentary minute, laid in July 2013, concerning Academies and Local Government Pension Scheme (LGPS) liabilities, provides assurance that the Department for Education will meet any outstanding Local Government Pension Scheme liabilities in the event of an Academy Trust closure.	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Non-compliance with CLG guidance that, an application by an admission body falling under paragraph 1(d)(i) of Part 3 Schedule 2 of the regulations, cannot be declined where the requirements of the LGPS Regulations are met.	Red
Non-compliance with the mandatory requirement to allow academies admission to the Pension Fund.	Red

7. Communication Implications

Direct Communications	Direct communications will be required to facilitate employer start up in the LGPS.
Newsletter	Regular pension bulletins are issued to the scheme employers on topical matters.
Induction	New employers require an introduction to their employer responsibilities under the LGPS.
Seminar	Employers will be entitled to attend an annual Employer Forum.
Training	Generic and bespoke training courses will be made available.
Website	New employers are given access to the employer's guidance available on the pension's website.

8. Legal Implications

- 8.1 Admitted bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

9. Consultation with Key Advisers

- 9.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.

- 9.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

10. Alternative Options Considered

- 10.1 None available.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 12/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

**CAMBRIDGESHIRE
PENSION FUND**



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Asset Pooling
Purpose of the Report	To update Pensions Committee on ACCESS Asset Pooling progress.
Recommendations	<p>The Committee are asked to:</p> <ol style="list-style-type: none"> 1 Note the progress made on the Asset Pooling proposal and approve the submission. 2 Approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.
Enquiries to:	<p>Name – Paul Tysoe Tel – 01604 368671 E-mail – phtysoe@northamptonshire.gov.uk</p>

1. Background

- 1.1 On the 15th July 2016, the ACCESS pooling proposals were submitted to DCLG, comfortably in advance of the required deadline. This report updates on progress following the submission.
- 1.2 The focus of activity following the submission has been mainly around ACCESS governance and the structure of the pool, predominantly whether to rent or build the pooling entity.
- 1.3 Governance work is ongoing on an Inter Authority Agreement between the eleven sponsoring Pension Funds. This will be a legally binding document addressing key issues such as: decision making powers; and voting and financial arrangements.

- 1.4 The question of building or renting the pooling structure was discussed at a meeting of the Chairmen on 2nd September 2016, who unanimously agreed in principle to a rental structure, but with an option to take ownership of the vehicle in the future.
- 1.5 Although the Chairmen meet to agree these matters in principle, as individual fund representatives of the ACCESS pool, it is recognised that the approval of such proposals remains with the individual Funds. This will in time require an amendment to individual fund constitutions to empower ACCESS to make certain decisions on behalf of the Funds. An example of this is the ongoing Inter Authority Agreement, which will provide pre pooling powers to the ACCESS Joint Governance Committee, currently the Chairman of each Fund.

2 Rent or Buy?

- 2.1 The Chairmen reached a unanimous agreement, in their meeting of the 2nd September to rent initially but, given the scale of the ACCESS pool and with longer term cost efficiency in mind, there is support within the group for retaining an option to transition to a wholly owned Operator in the medium term.
- 2.2 This agreement is subject to ratification by all of the individual administering authorities in the pool according to the applicable constitutional and governance protocols of each.
- 2.3 Pending ratification officers will continue with pooling implementation, however progress is dependent on Central Government providing formal confirmation for the ACCESS pool
- 2.4 Collective work by officers and advisers has indicated there are a limited number of credible, established suppliers with a proven track record in delivering Operator services and capable of operating at the required scale (possibly between 6 and 8 potential suppliers). However analysis of the market (including discussions with potential suppliers) provides confidence that there will be sufficient choice and significant competition in the procurement process.
- 2.5 Analysis based on input from suppliers, advisers and lawyers indicates that renting a third party Operator reduces the implementation timescale by more than six months relative to the timetable for delivery of a built and owned Operator.

3 Central Government Pooling “Green Light”

- 3.1 The potential costs of pooling across the Funds are significant, for example annual running costs of between £3m to £5m. The Chairmen therefore, unanimously agreed the need for confirmation from Central Government that the ACCESS pool proposals submitted in July 2016 are approved, prior to incurring further material costs on the Pooling agenda.

4 Proposal

- 4.1 Note the progress made on the Asset Pooling proposal and approve the submission.
- 4.2 Approve the agreement of the Chairmen on the 2nd September 2016 to initially rent the operator function, with a view in the medium term to wholly own the operator.

5. Relevant Pension Fund Objectives –

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy. <i>Objective 18</i>
Maximise investment returns over the long term within agreed risk tolerances. <i>Objective 19</i>
Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required. <i>Objective 20</i>

6. Finance & Resources Implications

- 6.1 The costs of implementation and annual running costs of a rental operator will be shared between all Pension Funds in the ACCESS pool.
- 6.2 Cost sharing arrangement will be included in the Inter Authority Agreement which is currently being drafted by officers and advisors for Member scrutiny and approval.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Risk of inappropriate asset pooling arrangements.	Informed project plan with strong governance arrangements (Task and Finish Groups, Chairman meetings), supported by appropriate advice (i.e. Legal, Financial and Investment).	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Without a clear ratification of the decision to proceed with the pooling of assets within the ACCESS pool the Fund may face scrutiny as to whether the decision was appropriately made.	Red

8. Communication Implications

Website	Pension Committee meeting minutes that are held in public session can be found on the County Council's website detailing resolutions made by the Pension Committee.
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9. Legal Implications

- 9.1 Where applicable, appropriate legal advice has been instructed, this has been undertaken at both a Pool and Multi Pool level, with cost sharing between the parties.

10 Consultation with Key Advisers

- 10.1 Key advisers have been sought as required covering, legal, financial and Investment matters.

11. Alternative Options Considered

- 11.1 Engagement with legal advisers and regular consultation with both the Treasury and the Department for Communities, with support from the Local Government Association, have guided the investigation and discussion on suitable options for asset pooling as required from Central Government guidance and regulation.

12. Background Papers

- 12.1 Not applicable

13. Appendices

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 9/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

CAMBRIDGESHIRE PENSION FUND



Pension Committee

Date: 20 October 2016

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund - Risk Register
Purpose of the Report	To present the Risk Register to the Pension Committee
Recommendations	The Committee are asked to approve the Risk Register.
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

- 1.1 Good governance requires that the Fund has an appropriate Risk Register which details the Fund's risks and mitigations. The purpose of a risk register is to record the details of all risks that have been identified along with their analysis and plans for how those risks will be treated.
- 1.2 The risk register database can be viewed by the Pensions Committee and the Local Pension Board members as well as officers of the Fund as a management tool for monitoring the risk management processes of the Fund. The risk register is used to identify, assess, and manage risks to acceptable levels through a review and updating process.

2. The Pensions Regulator's Requirements

- 2.1 The Public Service Pensions Act 2013 added an additional provision to the Pensions Act 2004 relating to the requirements to have internal controls in public service pension schemes. The Pensions Regulator's code of practice guidance on internal controls requires schemes managers (administering authorities) to carry out a risk assessment and produce a risk register which should be reviewed regularly.

3. The Risk Strategy

- 3.1 In March 2016 the Risk Strategy was approved by the Pensions Committee and from this a risk register needed to be established. The strategy and risk register should be read in conjunction with each other as the strategy sets out the principles of risk management and how the risks are profiled and how these are incorporated into the risk heat pad model. This profiling is undertaken by using the impact and likelihood

tables to determine the gross and residual likelihood and impact on the Fund once mitigations are in place.

4. The Cambridgeshire Pension Fund Risk Register

- 4.1 The proposed risk register can be found in **appendix 1** of this report and consists of relevant risks in the areas of Governance, Funding and Investments and Administration and Communication. The register contains the whole range of risks to be considered by the Committee for comment on whether the risks seem appropriate and that the gross and residual risks are set at a correct level.
- 4.2 The risk scoring has been determined using the corporate risk impact descriptors and the risk analysis table in line with the Risk Strategy. The risk scoring matrix is in **appendix 2** and the impact descriptors are in **appendix 3** of this report. A pragmatic approach has been taken over the investment scoring due to the amount of money invested on behalf of the Fund.

5. Recommendations of the Local Pension Board

- 5.1 The Local Pension Board were asked to review the risks and the associated ratings and to make recommendations to the Pension Committee accordingly.
- 5.2 The first recommendation was to increase the overall rating of risk 24 (pension fund investments may not be accurately valued) due to the fact that illiquid liabilities are harder to value and therefore the risk should reflect this. The residual risk has therefore been increased from 1 to 4.
- 5.3 It was felt that risks 19 (contributions to the fund are not received on the correct date and for the correct amount) and 39 (lack of understanding of employer responsibilities which could result in a statutory deadline being missed) were overstated as although they had a statutory date attached the risk would not fall into major/catastrophic realms. The residual risks have therefore been reduced to 8 and 6 respectively.
- 5.4 Risk 54 (pension fund systems and data may not be secure and appropriately maintained) was felt to also be overstated due to the high level of password security combined with stringent audit controls in this area. The residual risk has therefore been decreased from 10 to 5 by reducing the likelihood to 1 (rare).
- 5.5 There was one general comment surrounding the gross likelihood scoring and whether under normal circumstances some of these should have been lower. The register was reviewed in light of this and the following risks have had their gross likelihood ratings reduced 1, 3, 5, 7, 9, 10, 13, 14, 15, 17, 18, 21, 22, 24, 26, 27, 33, 36, 40, 43, 44, 45, 46, 48, 52 and 54.

6. Next Steps

- 6.1 Once the risks and associated scores have been agreed only risks that score above 5 will be entered onto the risk register to ensure we are concentrating efforts of the Board and Committee on the risks that are most significant to the Fund. This consists

of 18 amber risks which are likely to cause the Fund some difficulties and 2 red risks that are in excess of the Funds risk appetite and is not easily controlled.

- 6.2 The information will be populated through a heat pad analysis model and this will be presented to the Pension Committee and Local Pension Board when populated and subsequently on a yearly basis or as required if there is a significant change. This includes the risks with a scoring of less than 5 that move to amber or red category at a later date.

7. 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>
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>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

8. Finance & Resources Implications

- 8.1 There are no financial and resource implications associated with this draft risk register.

9. Risk Implications

- a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
None	A risk register highlights areas of concern and allows for appropriate mitigations to be put in place.	Green

- b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the Fund does not monitor and report risks the Fund will not demonstrate that it has appropriate control over the management of the risks that the Fund faces.	Red

10. Communication Implications

Direct Communications	The Fund will keep the Pensions Committee and the Local Pensions Board updated with changes to the risks.
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11. Legal Implications

11.1 Not applicable

12. Consultation with Key Advisers

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

13. Alternative Options Considered

13.1 Not applicable

14. Background Papers

14.1 Not applicable

15. Appendices

15.1 Appendix 1 – Risk Register

15.2 Appendix 2 – Risk Scoring Matrix

15.3 Appendix 3 – Impact Descriptors

15.4 Appendix 4 – Pension Fund Objections

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 22/9/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 12/9/2016
Has the Chairman of the Pension Fund Committee been consulted?	Sent to Councillor Hickford – 21/9/2016
Has this report been cleared by Legal Services?	Quentin Baker – 26/9/2016

Appendix 1 – Draft Risk Register (Governance section 1 – risk numbers 1 to 18, Investment and Funding section 2 – risk numbers 19 to 35 , Administration and Communications section 3 – risk numbers 36 to 54

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Internal Controls	Residual Impact	Residual Likelihood	Residual Total
1	Failure to administer the scheme in line with regulations and policies	1, 2 & 3	5	2	10	Administration and Communication Policy, up to date knowledge through various sources such as SAB and DCLG. Up to date training and attendance at conferences. Receipt of professional bulletins and publications. Attendance at working groups such as EMPOG/SECSOG. Work with external governance advisors where appropriate.	4	1	4
2	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	2 & 3	4	3	12	Knowledge Management Policy is in place which requires the Pensions Committee/Sub Committee and Board members to receive continuing training. New members receive induction training. The Fund subscribes to relevant professional bodies such as LAPFF & PALSA and sends representatives to major conferences.	4	2	8
3	Production of incorrect accounts, notices and publications	1 & 2	3	2	6	Robust sign off process in place dependent upon the document (AR/SOA/Communications)	3	1	3
4	Policies and Strategies not being in place and up to date	1 & 2	3	3	9	Policies and strategies in place and on the LGSS Pension website, new policies developed when appropriate and all policies and strategies are reviewed on at least a yearly basis.	2	2	4
5	Failure to recognise/manage conflicts of interest	2 & 10	4	2	8	Declaration of interests at the beginning of each meeting for non-County Councillor members. County Councillor declaration register held by Democratic Services. Conflicts of interest Policy & training to ensure Committee and Board members are aware of potential conflicts and how to deal with them (Pension Regulator Tool Kit covers this)	2	2	4
6	Risk of manual changes when producing management reports leading to lack of audit trail	2 & 10	3	3	12	Automated extraction of data where viable and agreed procedures for reporting	2	2	4
7	Potential fraudulent activity by staff	2 & 10	5	2	10	Robust checking system in place, log in security, Altair multiple log in requirements, locked records for pension staff, pension staff not authorised to access family/friends records	5	1	5

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
8	Potential fraudulent activity by scheme members	2 &10	3	3	6	National Fraud Initiative participation, investigation of returned payroll slips, sight of certificates before payments made, few cheque payments made.	3	2	6
9	Lack of knowledge amongst Committee and Board members due to high turnover	3	4	2	8	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	3	2	6
10	Failure of succession planning for key roles on the Committee and Board leading to the inability to pick up work if a member is sick/leaves	3	4	2	8	Knowledge Management Policy in operation which includes compliance with the CIPFA Knowledge and Skills Framework, attendance at internal/external training events and engagement with peer group.	2	2	4
11	Failure of officers to maintain a sufficient level of competence to discharge their duties	3	4	2	8	Internal training upon appointment, ongoing internal and external training courses/seminars, professional qualifications.	2	2	4
12	Changes to the Local Government Pension Scheme and lack of expertise in the revised/new area	3	3	3	9	Knowledge Management Policy in operation, the use of advisors where deemed applicable to provide relevant information and recommendations on particular areas.	2	2	4
13	Failure to have formal monitoring of Key Performance Indicators in place leading to officers being unable to produce accurate performance management reports.	5	3	2	6	Automated extraction through Altair which is reported at monthly management meetings and at quarterly Committee meetings. Also reported to teams at 1:1 meetings to address any performance issues.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
14	Pension Fund objectives are not defined and agreed	4	4	2	8	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 to demonstrate the relevance of the report against the Fund objectives. The objectives also run through all our Policy documents to ensure they remain focused to the Funds goals	2	2	4
15	Failure to understand and monitor risk and compliance	5	5	2	10	Business Continuity plan in place and regularly tested. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales.	3	2	6
16	Failure by the Fund or Employers to meet requirements (including statutory) to ensure members are not disadvantaged.	8	4	3	12	Key Performance Indicators for both the Fund and Employers which are reported to management on a monthly basis and Committee on a quarterly basis. Service Level Agreements in place with some employers to ensure expectations are documented. LGSS website holds a wealth of information regarding responsibilities as do other websites such as the DCLG.	4	2	8
17	Failure to act professional when dealing with stakeholders leading to lack of confidence in the Fund	10	3	2	6	Knowledge Management Policy in force to ensure officers have a good level of knowledge and officers are encouraged to undertake a professional qualifications. The section is working towards Customer Excellence accreditation to ensure the core focus is the customer across the service.	3	1	3
18	Failure to provide adequate information to the Pension Committee/Pension Board	15	3	2	6	Committee Papers provided on a quarterly basis providing key information relating to the Fund. Yearly effectiveness reviews for Committee members are carried out to identify if any changes need to be made by officers when communicating information to the Committee.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
19	Contributions to the Fund are not received on the correct date and for the correct amount.	1, 8 ,9 & 16	5	3	15	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 pay monthly contributions .Cash Management Strategy is in place. A procedure is in place to identify non-payment and late payment of contributions as defined in the Late Payment Policy. Internal Audit reviews take place on a regular basis and external audit review the accounts annually.	4	2	8
20	Custody arrangements may not be sufficient to safeguard Pension Fund assets	1, 2 & 3	5	2	10	Complete and authorised agreements are in place with external custodian. External custodian's compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian.	5	1	5
21	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided.	1, 2, 3 & 19	5	2	10	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings.	4	2	8
22	Failure to invest surplus contributions	16, 17 & 19	3	2	6	Cash flow monitoring and rebalancing is undertaken with tolerances set on material variances on allocation, circa 5% with an annual perspective preferred to avoid short term volatility and unnecessary cost. Review of the policy is pending the approval of the Funds Investment Strategy Statement, now planned for March 2017, following government slippage in issuing the revised investment regulations. Cash Management Policy in place.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
23	Fund assets are not sufficient to meet obligations and liabilities as they become payable.	2, 16, 17 & 19	5	3	15	Investments are regularly valued by Investment Managers and provided to the Fund. Quarterly updates are provided to the Investment Sub Committee. The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Funding Strategy Statement reviewed every 3 years to ensure it remains relevant.	5	2	10
24	Pension Fund Investments may not be accurately valued	2, 10, 17 & 18	3	2	6	Investment strategy in accordance with LGPS investment regulations. The strategy is documented, reviewed and approved by the Pensions Committee. An external advisor provides specialist guidance to Officers on the investment strategy. Officers of the Fund engage in quarterly monitoring of custodian performance with an annual report presented to the July Pensions Committee by an external monitoring professional. Monitoring of the custodian, Where variances between custodian and manager valuations arise officers engage with both parties to investigate and agree variances. This is particularly important in the year end process where external audit review processes and values, reporting material variances where necessary.	2	2	4
25	Failure to react to major change in market/economic conditions	15 & 16	5	3	15	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee. Quarterly monitoring, setting appropriate mandates for managers, appointment of investment consultants and independent advisors	5	3	15

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
26	Pension Fund accounts are not accurately maintained	2 & 10	3	2	6	The Fund has a service wide engagement on ensuring the individual employer accounts are accurately reflected. 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. In addition the Systems and Employers team conduct membership year end reconciliation in the late summer / autumn and investigate variations from the accounting valuations. In terms of pensioner payroll the service is implementing a new process to stream line and provide additional assurance over pensioner payments made. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Reconciliations are carried out on a regular basis. There is an internal and external review of the accounts annually.	1	1	1
27	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable	17	4	2	8	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	4
28	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due.	16, 17 & 18	3	3	9	Limit on illiquid assets and diversification of assets and asset risk is under regular review, currently alternative investments are being considered in particular the role they play to support Fund fiduciary objectives. Projections of expected cash flows through business planning. The Fund considers cash flow over a three year profile, currently indicating a cash flow positive position; officers are monitoring the impact of structural changes with employers in the Fund and will report in due course. In addition the triennial valuation considers the longer term perspective, the 2016 valuation is ongoing.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
29	Mismatch in asset returns and liability movements result in increased employer contributions.	18	3	5	15	The Fund undertakes a comprehensive asset allocation review following the completion of a valuation process to ensure matching of assets and liabilities is reviewed.	2	4	8
30	Frequency of early retirement's increases to levels in excess of the actuarial assumptions adopted, resulting in increases required in employers' contributions.	18	3	3	9	Regular monitoring of early retirement experience being exhibited by the actuary based on evidential analysis with regular communications with employers, including awareness of potential strain costs associated with early retirement decisions. In addition a survey with employers to seek future staff resource feedback to inform a review of funding implications and actions that could be considered to mitigate. Money received upfront for employers and Ill Health Insurance in place.	1	1	1
31	Mortality rates continue to increase, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions.	18	3	3	9	Monitoring of mortality experience factors being exhibited by the fund members by fund actuary and consequent variation of the actuarial assumptions based on evidential analysis. Club Vita looks at local level mortality rates to gain a more accurate picture.	2	2	4
32	Unanticipated onset of cash flow negative position, potentially requiring as hoc repositioning of assets	19	3	2	6	See responses above, in particular employer survey and cash flow monitoring processes, including annual business plan and medium term strategy report. Regular monitoring and the ability to change Fund Investment Strategy when appropriate.	2	1	2
33	Failure to act upon expert advice or risk of poor advice	17, 18, 19 & 20	4	2	8	Investment consultants and independent advisors appointed. Committee decisions and oversight by the Local Pension Board.	2	2	4

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
34	Market yields move at variance with actuarial assumptions resulting in increases in liability, reduced solvency levels and increased employer contribution rates	18	4	4	16	The ISC receives quarterly performance reports provided by recognised industry professional, this considers both strategic and operational aspects of investment. In addition officers in partnership with Fund advisers manage an asset allocation review plan, reported to ISC in quarterly meetings. Quarterly performance reports are provided to the Pensions Investment Sub Committee.	4	4	16
35	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employer's contributions.	9 & 17	3	3	9	Analyse assumptions and actual experience through triennial valuations, ensure assumptions are appropriate. Early engagement with employers.	2	2	4
36	Failure to protect the Fund if an Employer is unable to meet liabilities	6 & 7	5	2	10	Bond and guarantor arrangements in place for new admitted bodies. Admitted bodies, Scheme employer and bulk transfer policy detailing specific requirements of each type of employer in the Fund. Funding Strategy Statement.	2	2	4
37	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning the contribution level becomes inappropriate requiring review and increase.	6	3	2	6	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communications. Risk assessments are carried out and open dialogue with the dedicated employer's team to ensure information is shared.	2	1	2

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Control	Residual Impact	Residual Likelihood	Residual Total
38	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. Without the required cover the Fund will pick up the shortfall leading to increased contribution rates for other employers.	7	2	4	8	Assess the strength of individual employer covenant in conjunction with the actuary and look at what bond/guarantor arrangements are in place in regards to deficit recovery. Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and transfer policy and FFS. Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to recover as much deficit as possible over the period.	2	3	6
39	Lack of understanding of employer responsibilities which could result in a statutory deadline being missed.	8	4	4	16	Employers are made aware of their responsibilities upon admission via the LGSS website and through direct employer communication. The importance of a statutory deadline is stressed to the employer through these communications and via events such as the employer forums. Support is also available through the dedicated employers help line and templates issued where applicable (i.e. Year-end template with supporting notes)	2	3	6
40	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant.	9	3	2	6	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. Communication with employers at the earliest opportunity to address any pending issues. Funding Strategy Statement for which employers are consulted on. Administration Policy and Transfer, Scheme Employers and Bulk Transfer Policy in operation.	2	1	2
41	Failure to manage the resources associated with increasing volumes of employing bodies entering the Fund, leading to unachieved targets.	8	4	3	12	Continually monitor staffing position against new employers entering the Fund, multi skilled staff to help manage peak demands.	4	2	8
42	Employers unable to pay increased contribution rates, which could lead to employers defaulting on their contributions.	9	4	3	12	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

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
43	Failure to gain efficiencies through joint working arrangements leading to higher administration costs, leading to lack of value for money.	10	3	2	6	Working within LGSS where possible to achieve efficiencies. Working with the Communication group consisting of 6 other funds to gain efficiencies with items such as newsletters and statements. Comparisons are made with other Funds via CIPFA bench marking. Administration costs are monitored closely and reported to the pensions committee via business plan updates.	2	2	4
44	Unable to deliver pension services due to unavailability of staff leading to unachieved targets.	8	3	2	6	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.	2	2	4
45	Effective performance management is not in place for the administration of the Fund	1,2,3,8	3	2	6	Performance management reports are produced and shared with the management team on a monthly basis. Teams/individuals with performance issues are addressed via team leaders in 1:1s and PADP processes. A performance framework is in place and quarterly updates of performance are provided to the Pensions Committee and Local Pension Board for comment. Employer performance is also monitored and poor performance is addressed.	2	2	4
46	Inconsistencies in delivery due to failure to properly document processes and procedures	13	3	2	6	Task management ensures that processes are adhered to and officers are guided to ensure correct information is sent and messages are consistent. All calculations and corresponding letters are checked before they leave the office.	1	1	1
47	Failure to include all required information in documents issued to members under disclosure regulations	14	5	3	15	Legislation officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via relevant websites, seminars and working groups. Letters are generated through task management for consistency and are checked before being sent out.	5	2	10

Risk NO	Risk	Objective	Gross Impact	Gross Likelihood	Gross Total	Controls	Residual Impact	Residual Likelihood	Residual Total
48	Contributions are not processed and recorded appropriately in a timely manner.	2,10, 11 & 16	3	2	6	Sufficient resources in place and structured appropriately to carry out the necessary transaction processing. Internal Audit reviews take place on a regular basis and external audit reviewing processes annually	2	2	4
49	Failure to recognise the needs/requirements of our customers	15	2	2	4	Feedback requested from customers post training events, member customer satisfaction questionnaires and employer customer satisfaction questionnaires sent annually. Employer forum workshops. Effectiveness review of the Committee on a yearly basis.	2	1	2
50	Failure to attract and retain members in the LGPS	12	3	3	9	Engagement with stakeholders via the website, factsheets, forums, bulletins and road shows.	3	2	6
51	Failure to communicate adequately with scheme members and scheme employers	1,2,3,10,12,13,14 & 15	3	3	9	A communication Strategy is in place and reviewed at least annually. Website regularly updated. Newsletters are published annually. Regular employer forums. Annual Benefit Statements produced and distributed.	3	2	6
52	Events relating to Scheme members e.g. Joining the scheme, transfers in and out and retirements are not processed and recorded adequately.	10, 11 & 14	4	2	8	Procedure notes detailing all key processes are in place. Induction and training procedures are in place. Adequate staff resources are in post. An overview of pension administration is provided to the Pensions Committee.	3	2	6
53	Records are not accurate or do not reflect changes in circumstances.	10 & 11	4	3	12	Records are supported by appropriate documentation, input and output checks are undertaken. Regular reviews of data quality in line with the Public Service Pensions (Record keeping and misc. amendments) Regulations 2014.	3	2	6
54	Pension Fund systems and data may not be secure and appropriately maintained.	10 & 11	5	2	10	System user controls are in place including regular password changes. Access rights are controlled. Data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is regularly updated to ensure LGPS requirements are met.	5	1	5

RISK SCORING MATRIX

Potential impact if risk occurred	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
Likelihood of risk occurring						

Red (risk scores 15 to 25): Excess of risk appetite

Yellow (risk scores 6 to 14): Likely to cause some difficulties

Green (risk scores 1 to 5) Monitor as necessary

Appendix 3 –

IMPACT DESCRIPTORS

The following descriptors are designed to assist the scoring of the impact of a risk:

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to policies and/or sustained negative media reporting in national media

Appendix 4 – Pension Fund Objectives

1. 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.
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.
3. 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.
4. Continually monitor and measure clearly articulated objectives through business planning.
5. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
6. Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
7. Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
8. Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
9. Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
10. Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
11. Maintain accurate records and ensure data is protected and used for authorised purposes only.
12. Promote the Scheme as a valuable benefit.
13. Deliver consistent plain English communications to Stakeholders.
14. Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits.
15. Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
16. Ensure cash flows in to and out of the Fund are timely and of the correct amount.

17. Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
18. Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
19. Maximise investment returns over the long term within agreed risk tolerances.
20. Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

