

**Friday, 03 July 2020**

**Democratic and Members' Services**

Fiona McMillan  
Monitoring Officer

**10:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

### **COVID-19**

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

## **AGENDA**

**Open to Public and Press**

1. **Appointment of Chairman / Woman and Vice Chairman / woman**
2. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/ccc-conduct-code>
3. **Minutes Cambridgeshire Pension Fund Board 31st January 2020** **5 - 18**
4. **Minute Action Log** **19 - 24**

### **ITEMS FOR INFORMATION**

5. **Minutes of the Pensions Committee 18th June 2020 - item to follow**

## **GENERAL BUSINESS**

<b>6.</b>	<b>Internal Audit Report 2019-20</b>	<b>25 - 40</b>
<b>7.</b>	<b>Administration Performance Report</b>	<b>41 - 52</b>
<b>8.</b>	<b>Governance and Compliance Report</b>	<b>53 - 72</b>
<b>9.</b>	<b>Annual Business Plan and Medium Term Strategy 2019-20 to 2020-21</b>	<b>73 - 108</b>
<b>10.</b>	<b>Governance and Administration Risk Management in light of the Coronavirus Panedemic</b>	<b>109 - 126</b>
<b>11.</b>	<b>Forward Agenda Plan</b>	<b>127 - 128</b>

**Exclusion of Press and Public - only required if a Board member wishes to discuss an exempt appendix on agenda items 7 and 8**

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

The Cambridgeshire Pension Fund Board comprises the following members:

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

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

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

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# LOCAL PENSION BOARD

## AGENDA ITEM 3

### MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 31<sup>st</sup> January 2020

**Members of the Board in attendance:**

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

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

**Officers in attendance:**

C Blose - Employer Services and Systems Manager

M Oakensen - Governance Officer

J Walton - Governance and Regulations Manager

M Whitby Head of Pensions

R Sanderson - Democratic Services Officer

**Time:** 10.00 am to 12.10 pm

**Place:** KV Room, Shire Hall, Cambridge

**ACTION  
BY**

#### 134. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence.

John Stokes queried whether from reading the guidance on declarations of interest there was a need to make any declarations at each meeting. It was clarified that a member of the Board did not have to declare any already listed in their declarations form at every meeting. *(Note: Some members of the Pensions Committee chose to do it and if they did, they would be included in the minutes but it was not a requirement if already included on their declarations form).* The Chairman also just reminded the Board that when considering an item on the agenda if a member realised they had a prejudicial interest this could be declared at that point.

#### 135. MINUTES OF THE PENSIONS FUND BOARD 4<sup>th</sup> OCTOBER 2019

The minutes of the meeting of 4<sup>th</sup> October 2019 were approved as a correct record and signed by the Chairman.

#### 136. MINUTES ACTION LOG

The Minute Action Log was noted.

**Page 23 Minute 96 Cambridgeshire Pension Board Effectiveness Review actions (including review of Terms of Reference)** - As this had now been delayed from the current meeting to the April meeting this would still need to pick up the original request from the October meeting that **the Board should see an early draft to enable them to comment and suggest any additional changes in advance of its publication. Action**

Jo Walton  
/ Michelle  
Oakensen

**Page 23 Minute 121 - Local Government Chronicle Investment and Pension Summit Update** – with reference to Environmental, Social, and Governance (ESG) investment considerations, it was highlighted to the Board that the next Pension Investment Sub-Committee on 20<sup>th</sup> February would be receiving a report setting out the Pension Fund's position on responsible investments. In addition, the scheduled July training session to which all Committee and Board members were invited, would be discussing ESG. Following this Members would be asked to complete a survey, the results of which would help in building a Pension Fund ESG policy.

**Councillor Payne indicated that he was not able to attend the July training session but would wish to receive the materials for the training session and to be sent the survey to enable him to complete and return it. Action.** He commented that it was a fast changing situation which required early actions.

Jo Walton  
/ Michelle  
Oakensen

Barry O'Sullivan asked whether the Pension Committee would be declaring a Climate Change Emergency. This could be looked at as part of the discussions but up to now, it had been councils declaring the emergency rather than individual pension fund committees. Further to this discussion there was a request for **officers to check whether any other Pension Committees had declared a Climate Change Emergency and report this back. Action:**

Mark  
Whitby

#### **Page 24 Minute 122 - Valuation of the Pension Fund**

Regarding the text reading that David Brooks should in future like councillors Payne and King be provided with hard copies of the Pension Committee agenda David indicated he did not remember making this request, but stated that he had not received any Pension Committee papers. On discussing this further at the conclusion of the meeting with the Democratic Services Officer, he indicated that he would be happy to receive the Pension Fund Committee papers in future but only as an e-mail link via adding **his email address to the CIMIS Pension Fund Committee e-mail distribution list. Action:**

Rob  
Sander  
son /  
Dawn  
Cave to

#### **Page 25 Minute 125 Governance and Compliance Report breakdown of the cost of the last four training days that the Fund had held – Further request from David Brooks**

An updated document was tabled at the meeting and is included as an appendix to the minutes.

#### **Page 28 – Minute 131 Access Asset Pooling Update Future Access Joint Committee Meetings dates**

As an update Democratic Services indicated that the December meeting had been provided to the Board which was the only one available at the time, but literally that morning Democratic Services had been furnished with a list of

further dates which had already been emailed on to the Board. The dates were: 9<sup>th</sup> March, 8<sup>th</sup> June, 7<sup>th</sup> September, 7<sup>th</sup> December and 8<sup>th</sup> March 2021.

**137. MINUTES PENSION FUND COMMITTEE 10<sup>th</sup> OCTOBER 2019 AND 14<sup>TH</sup> JANUARY 2020**

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

Issues raised.

**10<sup>th</sup> October Minutes - Minute 164 Valuation of the Fund**

It was highlighted that a democratic decision had been taken to continue with the Designating Bodies Pool, while recognising that a number of bodies were significantly under contributing. The question was asked if there was any plan b) for them. The Committee had been given a Democratic choice either for Plan A - disaggregating the pool, or Plan B - retaining the pool. No back up plan was needed as one of the viable options had been chosen.

Further to this discussion the question was raised on whether it would be more appropriate to show an ongoing deficit rather than the cessation valuation. It was explained that the ongoing deficit valuation hid the true position as it would show a lesser value and that it was the cessation value that set out the full deficit and would be what an employer would be required to pay if they left the Fund. In terms of the risk involved, it was not a risk to the Fund itself, but mainly to the employers as under-payers would be expected to fund themselves. In answer to another follow up question on whether there should be an item on the Risk Register, it was explained that it was below the threshold, and as already indicated, the risk was with the individual employers.

**14<sup>th</sup> January 2020 Pension Committee Minutes**

**Minute 176 Anti-Fraud and Corruption Policy Review** - Noted that an incorrect reference was made to Mr Stokes being the Chairman of the Pension Fund Board

**- Minute 176 Review of the Effectiveness of the Pension Committee** - Page 4 – with reference to the text in the second bullet and members asking if there was any training for recently retired members on how to use the portal, David Brooks suggested that a video should be produced that could be viewed on Youtube. John Stokes agreed that the portal was not particularly user friendly, giving the example that if the wrong password was accidentally put in, a member could be locked out for several days. In answer to a query, it was confirmed that facial recognition was not being considered at the current time. Councillor Payne also agreed that the Members Self Service facility was not easy for people to find their way around and supported the idea of a two minute video to show exactly where members should go and would be a very useful and cost effective, additional tool. Cory Blose the Employer Services and Systems Manager indicated that this suggestion could be looked at as part of the accessibility review to be undertaken in October. **This was agreed as a Board requested additional action:**

**Cory  
Blose.**

It was agreed that although no members of the press or public were present, should any one enter the meeting late and there was discussion of the confidential appendix 4 to the next report, the Board would need to pass the resolution to exclude the press and the public as the appendix contained business sensitive information.

#### **138. ADMINISTRATION PERFORMANCE REPORT**

This report provided details of a number of key areas of administration performance for consideration by the Board.

Key issues highlighted included:

- The tables in Appendix 1 which provided an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan.
- For the period 1<sup>st</sup> September to 31<sup>st</sup> December 2019 the Fund had met 18 out of its 24 monthly targets. Four of the six targets missed related to payment of retirement benefits from active status for the reasons given. It was highlighted that over the period volumes of payment of retirement benefits from *deferred* status, not currently reported as a Key Performance Indicator (KPI), had been very high. As this represented an ever-increasing area of responsibility as the Fund matured, a new KPI for this area of work was to be introduced in 2020-21. Full KPI details of were set out in appendix 2 of the report. The backlog on unprocessed leavers had risen to 7,000 resulting from employers not having told the Fund about employees leaving employment. The system was being changed so that in future it would no longer be necessary to receive their notification. Letters had now gone out to employers to ask them to provide monthly employee information and this was to be included in next Year's Business plan with AON continuing to undertake some of the work which would involve paying them a higher amount as the contract agreed was not a fixed cost contract and they had, had to undertake a great deal of additional follow up work with employers.
- Appendix 3 showed that 99% of employers in the Cambridgeshire Pension Fund had paid their employee and employer contributions and/or submitted their schedules on time for the period 1<sup>st</sup> December 2018 to 30<sup>th</sup> November 2019.
- Regarding breaches of the law, section 5 highlighted that there had been no material breaches and two non-material breaches, with details provided and the course of action that was to be taken.
- Section 6 detailed the activity undertaken in relation to the Internal Dispute Resolution procedure. The administering authority decisions that had been appealed since 1<sup>st</sup> April 2018 was set out in Appendix 5.
- Section 7 showed that there had been one overpayment of significance and the action that was to be taken.
- Section 8 highlighted details of the recently concluded 2019 independent data audit. It was highlighted that a number of data improvement activities were under-taken during the period between the two audits which would have contributed to the improvement in both sets of scores. However the increase in the number of unprocessed leavers which Officers felt was appropriate to report to the Pensions Regulator as both common and scheme specific data fails, was not a statistic



some other authorities were including in their audits. As a result this data had offset the activity improvements. It was highlighted that the data used to calculate the data scores was taken before the results from the mortality and address tracing project had concluded. Once the results of this project had been fully verified, it was expected that the quality of the member address data would improve and reflected within the common data scores. In addition, the conclusion of the contracted-out reconciliation project, currently scheduled for March 2020, would further increase the quality of the scheme specific data scores.

- Section 8.2 of the report set out details of the progress update on the Data Improvement Plan 2019-20. Regarding contracted-out liabilities reconciliation. All queries had been submitted to Her Majesty's Revenue and Customs (HMRC) by 31/12/2018. However HMRC were still in the process of resolving queries, despite previous targets dates for completion having been given of April and June 2019.
- Officers had recently processed a number of queries in response to issues raised by HMRC to facilitate the rectification stage of the exercise and for the final data file that HMRC would be issuing confirming the final contracted-out liability held by the Cambridgeshire Pension Fund. The file had been expected to be ready by the end of 2019. However, on 9<sup>th</sup> January 2020, HMRC issued a statement confirming a delay in issuing the final data file for all UK pension schemes. Due to the delay, if it was not received in February the Fund would not be able to undertake the project in March, April or May as this was set aside to undertake pensions increases work. If the file was received in March due to other activities to be undertaken, the project could not be undertaken until November. This was having a knock on effect as the Fund had taken out a specific software licence which would run out in November. As the Licence was taken out on an annual basis, the Fund would have the additional costs of renegotiating for a further extension period.
- **Member tracing and mortality screening** - For those members where automated tracing confirmed a current new address but with a low level of confidence, a more manual approach to tracing was currently being undertaken. A verification process was also in progress to ensure those members were at a new address that had been provided, with completion expected in March.
- **Chartered Institute of Public Finance and Accountancy (CIPFA) 2019 Benchmarking exercise** – the results from a comparison of 29 other Local Government Pension Schemes (LGPS) funds showed that the net administration cost per member of the Cambridgeshire Pension Fund was £14.09 per annum compared with the group average of £21.34 per annum. The Fund net administration cost per full time equivalent member of staff was £50.1k per annum compared with the group average of £71.8k per annum. Concern was however expressed that it was not that representative, as only 30 out of 87 potential LGPS funds from England and Wales had participated. It was confirmed that the same template was used by all those participating. The Board supported the Pension Committee's decision for the Fund to continue to participate in the annual benchmarking exercise but asked officers to undertake the following **Actions:**

- Lobby to make, the returns compulsory.**
- That the benchmarking report should be sent to ~~Committee~~ Board.**

Jo  
Walton

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#### Employers Admissions and Cessations

noted that the following admission bodies had been admitted to the Cambridgeshire Pension Fund:

- ABM Catering Limited
- Caterlink
- Easy Clean
- Hertfordshire Catering Service (HCL)
- Nightingale Cleaing Limited
- Pabulum Limited

The following scheduled body had been admitted to the Cambridgeshire Pension Fund:

- Our Lady of Walsingham Catholic Multi Academy Trust (MAT).

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

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

#### Other issues raised in discussion included:

- Querying on Appendix 1 page 48 of the agenda the increase in County Council Overhead Recovery - the last line entry before the totals column showing a -£35,000 variance compared to the previous year. This was in relation to efficiency sharing in the unwinding of LGSS with an expectation that the overheads costs would show a significant reduction for the next year and no expectation that this column would show an increase.
- Regarding the large pension overpayment, there was a request for more details on how this had occurred. While the bank had a duty to return payments, this only applied if the account was closed, and often they would not be aware themselves of a death unless informed. It was explained that the Fund now had a mortality screening services in place so this type of case was less likely to recur going forward, although overseas residents could be a different issue.
- One member asked if there was any recourse to compensation from IT if it was defects in the system software used. This was not practicable in this case as there were a number of factors involved as set out in the report and it would be difficult to prove how much was due to the IT. There was also a duty on the representatives of the deceased to inform the Fund. It was also clarified that once an estate was closed, it was not economically viable to pursue a claim and was when a write off was sought.

it was resolved:

To note the report.

### 139. PENSION FUND ANNUAL BUSINESS PLAN UPDATE

This report presented the Pension Fund Business Plan update for the period ending 31<sup>st</sup> December. In the oral presentation the key issues highlighted / discussed included:

- **Page 59 Communications, Systems and Employer Management (CSEM) 4 Implement monthly data collection for all employers** - this had already been referenced in the earlier report discussion and would go into the next year.
- **Page 59 paragraph 2.3.2 CSEM4 Implement monthly data collection for all employers – with reference to the update text and the wording reading** Due to a number of staffing issues, the on-boarding of i-connect for some small employers had fallen behind schedule. Clarification was requested regarding whether it was internal staffing or small employer staffing. It was clarified that it was internal staffing. The activity would form part of the 2020-21 Business Plan.
- **Page 60 – Operations (OPS) 1 - Processing of Undecided Leavers –** This had been referenced in the previous report. The Multi Deferred Benefit (DB) cases processed by Aon had required considerably more activity than originally estimated, including a number of process changes to ensure appropriate validation checks. This had increased the length and cost of the variable cost project by £100k with Aon agreeing to absorb significant costs to reach this figure. The project had now been moved to a fixed cost to ensure no further increases with The Chairman of the Pension Fund Committee having been informed, enabling the project to proceed.
- **Page 61 – Investments and Fund Accountancy (IA) 6 - Implement online payment platform for employers' contribution payments –** This had been amber with the original expectation that it would go over to 2020-21, but was now due to be rolled out shortly.
- **Page 61 - IA8 – Tender for an Independent Advisor –** resources were being put in to move this along.

It was resolved:

To note the report.

### 140. RISK MONITORING

Officers had reviewed the Risk Register and considered that there had been no change in impact or likelihood scores since the last review. Paragraph 2.2 of the report set out the detail of changes that had been made to the Register since the previous update

On short term risks:

- Following the McCloud ruling details were given on the likely remedy for members in scope who were not currently offered protection, but no steer had yet been received on the practicalities of the ruling and therefore the full impact to the Cambridgeshire Pension Fund was still unknown.
- The political risk and uncertainty surrounding Brexit could have an

- impact on asset volatility in the short term but was again not yet known until more detail was known on the final deal.

It was highlighted that during Christmas and January there had been a considerable number of enquiries regarding transferring pensions, with some members having made decisions to transfer their pension despite the Fund providing information on potential scams and to seek independent advice before transferring their pension to a third party. Where there had been mis-selling, it now appeared that claims companies were becoming involved, especially since the end of PPI, and this appeared to be a growing market going forward with some claims companies taking 18% of recovered monies as their fee. There had already been a case where the Ombudsman was ruling against a Pension Fund saying that the advice they had been given by an IFA had been unsound / not comprehensive enough, and ruling that the Pension Fund should compensate the pension monies lost. The ruling had indicated that the Fund should have gone back to the member and sought assurance that they knew what they were doing in terms of risk. Cambridgeshire Pension Fund had employed professional advisers to make sure the advice that was sent out to members was as comprehensive as it could be.

Having reviewed the current risks facing the Fund,

It was resolved:

To note the report.

#### **141. GOVERNANCE AND COMPLIANCE REPORT**

This report provided information on:

- The LGPS Scheme Advisory Board including:
  - Good Governance Review
  - LGPS Code of Transparency – compliance Reporting system
  - Draft Guidance on Responsible Investment Guidance
- The Pensions Regulator including:
  - LGPS Engagement Report
  - Initiative to improve data quality
- The Ministry of Housing, Communities and Local Government concerning the governance of the Local Government Pension Scheme (LGPS) on a national and local basis detailing SF3 Data (LGPS Funds: England and Wales 2018-19)
- The Queen's Speech regarding a new Pension Schemes Bill which strengthen the Pensions Regulator's powers, provide a framework to support pension dashboards and introduce regulations covering the right to a pension transfer.
- Skills and knowledge opportunities – training events with Appendix 1 of the report listing the main events deemed useful and appropriate.

Key issues highlighted included:

- The LGPS Scheme Advisory Board – Good Governance Review was

now at phase two with two working groups having been formed to take forward the proposals in the report. The full report was set out in Appendix 2 to the cover report with a summary of the 17 recommendations. The table in paragraph 2.1.5 of the report set out the most notable new recommendations. For the Cambridgeshire Fund some of the recommendations were already in place or partially so. On the new recommendations attention was drawn to the following:

- General (A2) and the recommendation reading “Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund (“the LGPS senior officer”)” There was currently debate, nationally whether this was the Section 151 Officer or the Head of Pensions.
- Compliance and Improvement (F1) reading “each administering authority must undergo a biennial Independent Governance Review (IGR) and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a Scheme Board panel of experts”. Clarification was required on whether this could be undertaken by the Pool’s existing governance advisors. Information currently coming in was that it would be a fixed price contract. The Scheme Advisory Board was meeting on 3<sup>rd</sup> February so clarification information might be available at for the 7<sup>th</sup> March event at Wyboston.
- Paragraph 2.3 Draft Guidance on Responsible Investment Guidance issued by the Scheme Advisory Board (SAB) (included as Appendix 3) which was open for consultation until 11<sup>th</sup> January 2020. The aim of the first part of the guidance was to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG (environmental, social and governance) policies as part of investment strategy statements. Officers after consultation with all access Chairmen had written to the SAB advising of concerns regarding the draft guidance in its present form.
- SAB had made it clear that there was no intention to prescribe the extent to which ESG policies should be adopted as this would remain a matter for local consideration and agreement. Part two was currently being drafted to go the SAB meeting on 3<sup>rd</sup> February.

Issues raised included:

- The Vice Chairman queried the text in paragraph 2.1.6 reading “The Scheme Advisory Board have invited comments on the report and its recommendations prior to the next meeting of the Scheme Advisory Board on 3<sup>rd</sup> February 2020. Officers are in the process of drafting a response in conjunction with the Chairman and Vice-Chairman of the Pension Fund Committee and Local Pension Board which will be submitted to the Scheme Advisory Board no later than 20<sup>th</sup> January 2020” asking when it had been sent. In reply it had been sent to

all the Board on 13<sup>th</sup> January with officers having received back comments from Councillor Payne.

- Councillor Payne highlighted that page 88 the last line of 4.1.1 reading “£134.3m in 2018-19 and £126.4m in 2017-18 an increase of £7.9m (6.3%)” the word increase should have read decrease.
- **Conference events** - Councillor Payne highlighted that he was still receiving invites for events with no officer guidance on whether they were useful to attend. The Chairman indicated that he usually dropped an e-mail to the officers to ask their advice. . In response officers indicated that they were currently looking at the core competencies and changing the events structure to link conferences to them. CIPFA were also due to provide an updated skills and knowledge guidance. **Officers would come back with details in due course and were hoping it would be by the 6<sup>th</sup> March event. Action**
- David Brooks indicated that he would not be attending anymore events as he would be leaving the Board in 2021 and did not want to waste the Fund’s money.
- **Barry Sullivan requested that on the schedule an extra column was included stating the location for training events to help decide that if it was too far members could make a more informed decision whether to decline. Action:** Officers saw no reason why this could not be accommodated, while adding that they would not put on an event that was too far to travel to.

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Michelle  
Oaken-  
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It was resolved:

To note the report.

#### 142. CAMBRIDGESHIRE PENSION FUND 2020-2021 COMMUNICATIONS STRATEGY

The Communications Strategy has been reviewed and updated and the board is asked to review and provide comments. The main changes were summarised in paragraph 2.3 with the draft document included as appendix 1 to the report.

Issues raised included:

- That while there were lots of comments regarding how the Fund communicated to scheme members there was not much information on communications from Scheme Members to the Fund. In reply this was as the requirement was to have a Communications Strategy for the Fund. The suggestion was that still more information should be given on how the members could communicate with the Fund.
- Linked to the above comment with regard to page 139 and the last line in bold text reading “A member can opt out of electronic communications, at any time, by informing us in writing that they wish to do so” there was a query on how easy tis was to do. It was clarified it could be via an email not just by a postal letter.

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- As raised earlier in the meeting officers should look into providing a video on how to access the portal.
- Query on bottom of page 143 where it refers to Pension Fund Boards and Investment Sub Committees whether it should refer to Pension Fund Committee.

Having reviewed the Strategy, It was resolved:

**To ask the officers to further review the document in light of the suggestions made.**

**Cory  
Bloese**

#### **143. VALUATION OF THE PENSION FUND**

This report provided an update on the key work being undertaken with regard to the Pension Fund Valuation.

Key issues highlighted in the presentation of the report included:

- Draft valuation results for employers were provided by the Actuary and distributed to employers at the beginning of December with a deadline of 31 January set for agreeing final contribution rates with employers. An Employer's Forum was held on Wednesday 4<sup>th</sup> December focussing on the valuation with the Fund Actuary providing an overview of the valuation process, draft changes to the Funding Strategy Statement and how employer contributions had been calculated. Feedback had been positive with frank conversations with some employers about long term participation in the Local Government Pension Scheme (LGPS). The Actuaries also commented on the success of the event particularly the level of attendance from employers believing it to be among the very best forums they have attended.
- The draft Funding Strategy Statement was issued to employers alongside their valuation results with consultation closing on 17<sup>th</sup> January. Discussions were held with the Actuary following the initial calculation of employer results to agree the parameters to be used for each employer when setting contribution rates, including the funding target, the time horizon for reaching that target and the required probability of success within that time frame. There were some key changes, notably older admission bodies with no guarantor being moved onto a "gilts glide path so their results were produced on the same basis that would be used when they exited the Fund and their contribution rates set to achieve full funding. As discussed earlier in the meeting this was a more prudent and transparent approach with the aim to facilitate realistic discussion with the employers about long term affordability of remaining in the Fund. A more prudent approach had also been adopted for Further and Higher Education organisations (of which there were only five) by reducing the length of time permitted for reaching their funding target from 20 years to 15 years, reflecting the increased risk these organisations posed to the Fund as a result of the Government no longer providing a guarantee for these employers. None had come back to say the rates proposed were unaffordable.
- For contractors, the required probability of success had been reduced

- from 70% to 55% reflecting their normally short term participation in the Fund and to avoid the need to pay exit credits to contractors when they ceased participation. The liabilities of these employers were usually secured by a bond and were ultimately guaranteed by the authority that has contracted them.

It was resolved:

To note the Valuation Update.

#### **144. EXCLUSION OF THE PRESS AND PUBLIC**

It was resolved to:

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

#### **145. ACCESS ASSET POOLING UPDATE**

The Board received an update on asset pooling including a summary of the agenda item discussions from the agenda for 9<sup>th</sup> December.

Key issues highlighted:

- Councillor Kemp-Gee from Hampshire had now taken over the Chairmanship from Suffolk with the Vice Chairman now Councillor Barker from Essex.
- The Governance update reported significant progress on the review of the Inter Authority Agreement.
- Part 1 items included an update on the Business Plan and Budget since the 9th September 2019 Access Joint Committee (AJC) meeting highlighting that the revised budget forecast for ACCESS costs for 2019-20 were slightly under budget with details also provided on the proposed 2020/21 Business Plan. The costs would be included in the Funds Business Plan for approval at the March / April 2020 Pensions Committee cycle.

##### **Part II items.**

- The Committee had noted the risk register and the ongoing internal review of the register and approved the recommended revisions.
- The Authorised Contractual Scheme (ACS) implementation update fed back on the progress in regard to launching the liquid active sub funds and the options for the pooling illiquid asset classes.
- An update was provided on the Operator contract, reporting an improvement in the scoring by partner funds of services received from LINK. The update also included details of current issues upon which the Access Support Unit (ASU) and colleagues on the Officer Working Group were engaging with LINK. More information on the LINK scoring was given orally.



- In terms of the Liquid asset build, this was nearly completed, with intensive work now commencing on illiquid assets.

It was resolved to:

- a) Note the asset pooling update;
- b) Note the minutes from the ACCESS Joint Committee meeting held on 9<sup>th</sup> September 2019.

#### **146. AGENDA PLAN**

The Agenda Plan was noted.

**In terms of IT issues there was to be a review of the Business Continuity Plan for either the April or July meeting. Action**

**Michelle  
Oakensen**

**Chairman  
April 2020**



This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Board to update Members on the progress on compliance in delivering the necessary actions. Action log updated as at 24<sup>th</sup> June 2020.

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 3rd May 2019</b>						
96.	<b>Cambridgeshire Pension Board Effectiveness Review Actions</b>	Democratic Services	Democratic Services to review the terms of reference and the delegated authorities so that all Pension related Committee functions are included in one place.	The first part of the action to bring together the terms of reference in one place was completed some time ago and the Board was sent a link. Democratic Services will be liaising with Pension Officers, aiming to provide revised terms to the Board for the October meeting meeting. At the current time no major changes are proposed.	<b>Ongoing.</b>	In light of Covid-19 this activity has been rescheduled to later in the financial year.

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 4<sup>th</sup> October 2019</b>						
132.	<b>Review of Board size</b>	Joanne Walton/ Democratic Services	On the need to look for new ways to recruit and publicise the positive work of the Board, the suggestion was made that at the appropriate time officers could interview Members of the Board for articles for the monthly employer newsletter as well as in the communications email sent to all members notifying them that their annual statement was available.		<p><b>Ongoing</b> – Article on the Chairman to boost profile delayed due to Covid-19 – to be issued later in the year.</p> <p>An advert has been prepared by Democratic Services in consultation with Pensions officers which is due to be circulated to the membership in August to invite applications to serve on the Board in line with the notification that two of the Board scheme members did not wish to serve beyond 2020.</p>	August 2020

Minute	Report Title	Action for	Action	Comments	Status	Due date
133.	Agenda Plan	Michelle Oakensen	In respect of terms of reference originally due to be presented to the January meeting, there was a request that the Board should see an early draft on suggested changes to enable them to comment and suggest any additional changes in advance of its publication.		<b>Ongoing</b> - E-mail asking for suggestions was sent 11 <sup>th</sup> October.2019 This activity has been rescheduled to later in 2020 due to other work priorities.	Item put on hold due to Covid-19 whilst we manage priorities. A rescheduled date has currently been re-scheduled for the October Board meeting.

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 31<sup>st</sup> January 2020</b>						
136.	<b>Minutes Action Log</b>  <b>a) Terms of reference</b>	Michelle Oakensen	With regards to the review of Terms of Reference it was reminded that it was previously requested that the Board should see an early draft to enable them to comment and suggest any additional changes in advance of its publication.		<b>Ongoing.</b> Item put on hold due to Covid-19 whilst we manage priorities. See previous item comment.	October 2020
136.	<b>Minutes Action Log</b>  <b>b) Training materials Request</b>	Michelle Oakensen	Councillor Payne indicated that he was not able to attend the July training session but would wish to receive the materials for the training session and to be sent the survey to enable him to complete and return it.		<b>Ongoing</b> – the event is now being delivered virtually and material will be available after the event also.	July 2020

Minute	Report Title	Action for	Action	Comments	Status	Due date
136.	<b>Minutes Action Log</b>  <b>c) Pensions Committees declaring Climate Change Emergency</b>	Mark Whitby	It was discussed that it had been councils declaring the Climate Change Emergencies rather than individual pension fund committees. It was requested for officers to check whether any other Pension Committees had declared a Climate Change Emergency and report this back.		<b>Completed.</b> Officers have held informal discussions with a wide range of fellow LGPS Funds in addition to circulating an enquiry asset pooling cross pool group. There is no knowledge of any LGPS Pension Fund declaring a Climate Change Emergency. The consensus of feedback considered It would be inappropriate for a Pension Fund to do so.	
138.	<b>Administration Performance Report</b>	Jo Walton	Whilst discussing the Benchmarking exercise, the Board supported the Pension Committee's decision for the Fund to continue to participate. It was requested that officers were to enforce for the returns process to be made compulsory as it is currently optional. There was also a request that the benchmarking report should be sent to Committee.		<b>Completed -</b> Error in minutes – should be Pension Fund Board not Pension Fund Committee. Full CIPFA Benchmarking reports sent 27/02/2020.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
141.	<b>Governance and Compliance Report</b>  a) Officer guidance on Training	Michelle Oakensen	There was a request for officer guidance on which training events were relevant to who.		<b>Ongoing</b> – This will be part of the Training Strategy Review based on the new CIPFA competencies when released.	The CIPFA guidance has been delayed due to Covid-19. This will be reschedule when released.
141.	<b>Governance and Compliance Report</b>  b) Training schedule location details	Michelle Oakensen	It was requested that on the training schedule that an extra column could be included stating the location for training events to help decide that if it was too far members could make a more informed decision.		<b>Completed.</b>	
142.	<b>Cambridgeshire Pension Fund 2020-2021 Communications Strategy</b>	Cory Blose	To review the following points made on the Communications Strategy:  1. The suggestion was that more information should be given on how the members could communicate with the Fund.  2. To check the terminology on page 143 to determine whether where it refers to Pension Fund Boards and Investment Sub Committees if it should refer to Pension Fund Committee.		<b>Ongoing</b> – comments have been incorporated into the final draft which will be taken to the October meeting of the Pension Fund Committee	October 2020

Minute	Report Title	Action for	Action	Comments	Status	Due date
142.	<b>Cambridgeshire Pension Fund 2020-2021 Communications Strategy</b>	Cory Blose	A number of members agreed that Member Self Service was not easy for people to find their way around and suggested that a short video should be produced for assistance.		<b>Ongoing</b> – to be undertaken as part of the accessibility review in October.	October 2020
145.	<b>ACCESS Asset Pooling Update</b>	Democratic Services	Where papers had previously been circulated, there was a request to additionally alert the Members of the Board at the time of publication.		<b>Noted.</b>	
146.	<b>Agenda Plan</b>	Michelle Oakensen	In terms of IT issues there was to be a review of the Business Continuity Plan for either the April or July meeting.		<b>Ongoing</b> – The BCP has been included as part of the Business Plan for 2020/21 and the Board will review the document in October.	October 2020



**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Fund Board**

**Date:** 3<sup>rd</sup> July 2020

**Report by:** LGSS Chief Internal Auditor

<b>Subject:</b>	<b>Internal Audit Report 2019-20</b>
<b>Purpose of the Report</b>	To present the findings of Internal Audit work during 2019-20.
<b>Recommendations</b>	<b>The Board is asked to note the Internal Audit work during 2019-20.</b>
<b>Enquiries to:</b>	Stephen Mangan, Audit and Risk Manager, LGSS Internal Audit Tel: 01604 365921 Email: <a href="mailto:SMangan@northamptonshire.gov.uk">SMangan@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The work of Internal Audit complements and supports the work of external auditors in forming their opinion on the financial accounts. Internal audit work is coordinated with the external auditors and they place reliance on the work of internal audit to reduce the level of testing they undertake themselves. This reduces overall costs by avoiding unnecessary duplication of effort and supports delivery of an efficient and effective service.

**2. Report Content**

- 2.1 During 2019-19, Internal Audit work focused on the annual audit of the administration of the Cambridgeshire Pension Fund.
- 2.2 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance the control environment in place and for **good** assurance for compliance. The full report is included as Appendix A.

**3. Relevant Fund Objectives**

- 3.1 The audit work undertaken was designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the objectives of the Pension Service.

Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>
Maintain accurate records and ensure data is protected and used for authorised purposes only. <i>Objective 11</i>
Ensure cash flows in to and out of the Fund are timely and of the correct amount. <i>Objective 16</i>

#### 4. Risk Management

- 4.1 Good governance ensures that the Pension Fund is appropriately managed and has oversight by audit to ensure transparency.
- 4.2 The risks associated with failing to independently assess the Pension Fund has been captured in the Fund's risk register as detailed below.

Risk No	Risk Mitigated	Residual Risk
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
9	Risk of fraud and error	Green
10	Failure to understand and monitor risk and compliance	Green
14	Failure to administer the scheme in line with regulations and guidance.	Green
26	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	Green

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

#### 5. Finance & Resources Implications

- 5.1 There are no finance or resource implications associated with this report.

## 6. Communication Implications

<b>Direct Communications</b>	The work of auditors is transparent and reported to the Pension Board.
<b>Website</b>	The report will also be published on internet.

## 7. Legal Implications

- 7.1 The requirement for an Internal Audit function derives from section 151 of the Local Government Act 1972. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 in England should make provision for Internal Audit in accordance with the Code.

## 8. Consultation with Key Advisers

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

## 9. Alternative Options Considered

- 9.1 Not applicable

## 10. Background Papers

- 10.1 Not applicable

## 11. Appendices

- 11.1 Appendix 1 – Internal Audit Report: Administration of the Cambridgeshire Pension Fund 2019-20

<b>Checklist of Key Approvals</b>	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 <sup>nd</sup> June 2020



## Appendix A

# Internal Audit Final Report

## Administration of the Cambridgeshire Pension Fund

### Governance Opinion

Adequacy of System	Substantial
Compliance	Good
Organisational Impact of findings	Minor

Report Issued	14 February 2020
Audit Committee schedule	24 March 2020
Follow up Date	June 2020

## Executive Summary

### 1. Background

- 1.1. LGSS Pensions administers the Local Government Pension Scheme on behalf of Northamptonshire County Council and Cambridgeshire County Council. There are 150,000 members of the Northamptonshire and Cambridgeshire Pensions Funds and circa 500 scheme employers, the service holds a portfolio of assets in excess of £5.7 billion.
- 1.2. The administration of the scheme is subject to an annual audit and provides assurance around arrangements to the employer organisations, the Pensions Committee and also the Pension Fund's External Auditors.
- 1.3. In the 2018-19 review, substantial assurance was provided around the effectiveness of arrangements in place.

### 2. Scope of Audit and Approach

#### 2.1. The objectives of the review were to ensure that:

- New members are set up accurately (including transfers in) and on a timely basis.
- The correct contributions are received from employer organisations on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.
- Pension payments are made accurately and in accordance with LGPS regulations and in line with relevant administering authority and employing authority discretions.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.

The review also followed up actions agreed in the 2018/2019 review.

#### 2.2. Approach

The audit process involved:

- Undertaking interviews with relevant officers, to ascertain the procedures in place.

### *Internal Audit & Risk delivering for*

- Evaluating whether the procedures in place provided for an adequate and effective level of control.
- Testing, where appropriate, that the controls identified were operating in practice.
- Reviewing procedures for efficiency and, where appropriate, identify opportunities to make improvements to processes.

#### **2.3. Acknowledgements**

We would like to thank all the members of staff consulted, for their assistance and co-operation during the course of this review.

### **3. Internal Audit Opinion and Main Conclusions**

- 3.1.** The assurance given to the system design is **Substantial**. The assurance level reflects our view that effective and embedded procedures are in place to support pensions and that the audit identified no control weaknesses in how key activity as defined in section 2.1 of the report was being administered.
- 3.2.** The assurance given for compliance is **Good**. Overall, the review found high levels of compliance with agreed procedures although the review did identify a small number of issues, including that unreconciled items on control accounts are not being cleared on a timely basis.
- 3.3.** The organisational impact of the findings is **Minor**. This reflects the fact that whilst a small number of improvements have been identified, these are considered to have a limited impact on the Cambridgeshire Pension Fund.
- 3.4.** Main recommendations
- For each of the issues identified, we have agreed actions in the action plan. When implemented these will positively improve the control environment. Detailed agreed actions are listed within the Management Action Plan (MAP) at pages 7-8 of this report.

## Detailed Findings

### **4. Control Objective (1) – New members are set up accurately (including transfers in) and on a timely basis.**

**4.1.** Employers are responsible for notifying LGSS Pensions of any employees who wish to join the pension scheme. This information is currently received by LGSS Pensions through a number of mechanisms including:

- Manual forms from employees and employers,
- Electronic data submissions via i-connect, which is a bespoke system which interfaces with the pensions system,
- interface files from employers, and
- Information processed through employer self-service.

**4.2.** Irrespective of the mechanism, checks are undertaken to ensure that only correct and complete records are uploaded into the pensions system (Altair), which are then used to create the member record. This includes:

- Independent checks on manual information input onto the pensions system by Pension Officers, and
- Checks to ensure that electronic data received is accurately transferred to the pensions system. This includes ensuring that all submissions received from employers have been processed and that any rejected data is investigated and resolved.

**4.3.** New members who wish to transfer in from another pension scheme are able to do so providing they complete the appropriate forms and meet key criteria. Ten transfers into the Cambridgeshire Pension Fund (CPF) were tested and controls were found to be working effectively in that:

- A transfer in request form was on file signed by the member.
- The pension certificate has been provided by the previous pension provider.
- A calculation of the transfer in value was on file which had been subject to independent review and authorisation.
- The payment had been received from the previous pension provider.
- The member's pension record on Altair had been updated accurately.



**5. Control Objective (2) - The correct contributions are received from employer organisations on a timely basis.**

**5.1.** A clearly defined process is in place to oversee the monthly payment of employer contributions to the CPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rate for pensionable pay for employer's contributions. This system is automated so that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to compare to monies received. Where variances occur the employer is contacted and they either adjust the next payment or invoice the employer. A review of contribution records for 10 employers found that:

- Contributions reflected in the PEN18 returns (which provide details of summary total employer and employee contributions) were agreed in the main as accurate.
- Where variances existed these were minor in value and had been investigated and resolved with the relevant employer, and future payments were amended as necessary for any under or overpayments.
- Payments were received from employers in line with agreed deadlines.
- Payments received were traced to the Pension Fund bank account.

**5.2.** In addition to the monthly process, an annual reconciliation of employers and members contributions to monies received takes place. Analysis of the year end reconciliations highlighted the following:

- In respect of the 2017-18 reconciliation, the process was linked to whether the employer submitted data via i-connect. This is considered below:
  - For employers that did not use i-connect, a year end return was made to confirm for each individual member, the employer and employee contributions. This data was then compared to the monthly PEN18 returns and variances above or below an agreed threshold were investigated and resolved with the employer.
  - For those employers that submitted data via i-connect, a year-end report was not submitted and reliance is placed on the checks undertaken as part of the monthly process, although such checks are currently visual and not evidenced or logged.

**(See MAP 1)**

Based on the process outlined, the reconciliation has been completed.

- The 2018/2019 reconciliation is still work in progress.

**6. Control Objective (3) - Appropriate action is taken upon notification that a member has left his employment and / or the scheme, including transfers out.**

**6.1.** Employers notify the Pensions Team when an employee leaves and the member's pension is then "deferred" until payments are due. Action is taken if a request or event takes place. These are considered below.

**6.2.** Ten transfers out of the pension scheme were reviewed and testing highlighted that:

- A transfer out request form was on file signed by the member.
- Confirmation from the employer / LGSS Payroll was on file to confirm the member had left their pensionable employment.
- A calculation of the transfer out value was on file which had been subject to review and authorisation by a Team Leader.
- The payment had been made to the appropriate Pension Fund.

**6.3** Notification of five pensioner deaths were reviewed and testing highlighted that:

- A death certificate was on file in all cases.
- The pension was stopped on a timely basis.
- A reconciliation had been completed to confirm if over / under payments had occurred and appropriate action was taken based on the findings.

**7. Control Objective (4) - Pension payments are made accurately and in accordance with LGPS regulations and in line with relevant administering authority and employing authority discretions.**

**7.1.** Pension payments can be set up for both new and dependent pensioners. For a new pensioner, the Pensions Team will initially seek confirmation that the member has left their pensionable employment. This information can either be provided by the employer or through LGSS Payroll. The Pensions Team then seek to validate key information including the member's date of birth, length of service and pay details. This information is then used to calculate the pension payment and then the payment is set up on the pension payroll. Both the calculation and setting up on the pension payroll are subject to independent checks for accuracy. Testing of 10 new pensioners highlighted no issues for concern with pensions being paid once all relevant confirmation and documents were received from the respective parties.

**7.2.** For dependent pensioners, similar checks are undertaken as outlined above apart the initial focus is on seeking official notification that the member has died, and confirming the status of the dependent, and for death in service / pensioner deaths, a calculation of potential death grants was also completed. Testing of 10 new pensioners highlighted no issues for concern with

pensions being paid all relevant confirmation and documents were received from the respective parties.

- 7.3.** For all pensioners, the annual payment uplift process is an automated process as pensioner and payroll records are held on the Altair System. Evidence of the uplift process was held and the checking process undertaken to confirm that the correct uplift had been actioned.

**8. Control Objective (5) - Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.**

- 8.1.** In addition the contribution reconciliation referred to in section 2 of this report, other reconciliations take place of the various Pension Fund bank accounts, the payroll control accounts and also between payroll and Altair. These are considered below.

- 8.2.** Bank Reconciliations – CPF has four bank accounts in place (e.g. Accounts Receivable, Accounts Payable, Liquidities and Salaries). A review of reconciliations undertaken by the LGSS Business Systems Team during 2019-20 found that:

- Reconciliations were being completed on a timely basis. Completed reconciliations were subject to management review although the reconciliation for the salaries account had no evidence of the management check for September 2019.
- A re-performance of all the bank account reconciliations as at the end of September 2019 highlighted no issues of concern and found that unreconciled items were being resolved on a timely basis.

- 8.3.** Payroll Control Accounts – Two key control accounts were reviewed namely net pay and pension payroll suspense. A review of the reconciliations between April and October 2019 highlighted that documentation included a list of unreconciled transactions along with a description of action to be taken. There is no assurance through the current process that the total value of unreconciled items agreed to the balance on the ledger each month as the ledger balance is not included in the working paper. We have been advised by the Payroll Service Delivery Manager that she checks the balance agrees to the ledger as part of the management review.

**(See MAP 2)**

- 9.3.1** A review of the reconciliations highlighted the following:

- Net Pay – During the period April to September 2019, there has been little progress in addressing unreconciled items. Whilst the current balance of unreconciled items is just under £500k, the number of unreconciled items has increased in this period from 309 to 397 items. This includes 144 items which relate to transactions dated prior to April 2019.
- Pensions Payroll Suspense – At the end of October 2019, there were 339 items in suspense to the value of £360k. This included 283 items dating back prior to April 2019.

Responsibility for investigating and resolving these items is assigned to Pensions Accounting and discussions indicated that they are progressing with investigating these items although dealing with some of the older transactions are time consuming.

**(See MAP 3)**

- 9.4 Reconciliation between pension payroll and Altair - The identification of and resolution of under and over payments following the completion of the reconciliation between the historic pension payroll and Altair records in 2017-18 has now almost been completed, only a small number (8) of queries remain and these are pending where information is awaited from HMRC in order to confirm the precise variance.

## Management Action Plan

Likelihood	H	S	I	E	The Agreed Actions are categorised on the following basis:
	M	S	I	E	
	L	S	I	E	
		L	M	H	
		Impact			
					<b>Essential</b>
					Action is imperative to ensure that the objectives for the area under review are met.
					<b>Important</b>
					Requires action to avoid exposure to significant risks in achieving objectives for the area under review.
					<b>Standard</b>
					Action recommended enhancing control or improving operational efficiency.

Ref	Issue and Risk	Category	Agreed Actions & Management Comments	Responsible Manager & Target Date
1.	<p><b><u>Annual Reconciliation of employers / employee Contributions</u></b></p> <p>For those employers that submit data via i-connect, an annual reconciliation is not undertaken and instead reliance is placed on the checks undertaken as part of the monthly process, although such checks are currently visual and not evidenced or logged.</p> <p><b><u>Risk</u></b></p> <p>Errors not detected.</p>	Standard	As part of the monthly review of contributions, documented evidence should be retained, to demonstrate that appropriate checks have taken place.	Fund Accounting Manager May 2020

Ref	Issue and Risk	Category	Agreed Actions & Management Comments	Responsible Manager & Target Date
2.	<p><b><u>Payroll Control Accounts</u></b> A review of the reconciliations between April and October 2019 highlighted that documentation included a list of unreconciled transactions but no evidence was retained that this agreed to the ledger balance.</p> <p><b><u>Risk</u></b> Unreconciled transactions are not reviewed.</p>	Standard	To ensure a complete audit trail of information is included in the control account working papers.	Payroll Service Delivery Manager  Implemented
3	<p><b><u>Control Account – Unreconciled Transactions</u></b> At the end of October 2019, there were:</p> <ul style="list-style-type: none"> <li>397 unreconciled items in the Net Pay control account to the value of £500k. This included 144 items dating back prior to April 2019.</li> <li>339 unreconciled items in the Pension Payroll Suspense to the value of £360k. This included 283 items dating back prior to April 2019.</li> </ul> <p><b><u>Risk</u></b> Unreconciled transactions are not reviewed. Transactions are not accurately recorded on the general ledger.</p>	Important	<p>To take appropriate action to ensure unreconciled items are addressed on a timely basis</p> <ul style="list-style-type: none"> <li>Net Pay monthly control process to be reviewed with Payroll, supported by the Quality Assurance Officer, and Net Pay queries reconciled.</li> <li>Monthly allocation of suspense items to correct codes.</li> </ul>	<p>Fund Accounting Manager</p> <p>Net Pay - March 2021</p> <p>Suspense - March 2020</p>

**Distribution List**

**Full Report Issued for Action:** Mart Whitby – Head of Pensions  
Joanne Walton - Governance and Regulations  
Manager  
Ben Barlow - Fund Accounting Manager  
Claire Littlejohn – Payroll Service Delivery  
Manager

**Full Report Issued for Information:** Chris Malyon, Deputy Chief Executive and  
Chief Finance Officer  
Tom Kelly, Head of Finance  
Mark Ashton – Managing Director, LGSS

**Issue Date:** 14<sup>th</sup> February 2020

**Audit Committee Date:** 24<sup>th</sup> March 2020

This audit and report has been prepared in line with the LGSS Internal Audit Manual and has been subject to appropriate review.

**LGSS Chief Internal Auditor Approval:** Duncan Wilkinson

**Quality Reviewed:** Stephen Mangan

**Lead Auditor:** Janette Lynn





# CAMBRIDGESHIRE PENSION FUND



## Pension Fund Board

3<sup>rd</sup> July 2020

**Report by:** Head of Pensions

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

### 1. Background

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

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

- 2.1 The tables in **appendix 1** provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in March 2020.

### 3. Key Performance Indicators – LGSS Pensions

- 3.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 3.2 Full KPI details for the period 1<sup>st</sup> January to 31<sup>st</sup> May 2020 can be found in **appendix 2**.

### 4. Receipt of Employee and Employer Contributions

- 4.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 4.2 The table in **appendix 3** shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1<sup>st</sup> May 2019 to 30<sup>th</sup> April 2020.

- 4.3 Details of late paying employers for December 2019, January, February, March and April 2020 can be found in the **private and confidential appendix (appendix 4)** of the report.

## 5. Breaches of the Law

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

- 5.2 For the period 1<sup>st</sup> January to 31<sup>st</sup> May 2020, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	One stage 1 Internal Dispute Resolution Procedure response was not issued within the 2 month statutory deadline by the employer.	The employer has been contacted and reminded of their statutory obligations.
	Three stage 2 Internal Dispute Resolution Procedure responses were not issued within the 2 month statutory deadline. The responsibility of stage 2 appeals rests with the Cambridgeshire County Council Monitoring Officer.	Processes have been put in place to ensure reminders are sent at appropriate intervals. The Monitoring Officer should issue an extension letter where justifiable to avoid future breaches of this nature.
	16 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5 year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.
	803 entitlement letters were issued outside of the statutory 2 month period from the scheme being notified by the employer that the member had ceased membership.	Internal procedures have been amended to ensure that the issuing of the entitlement letter is undertaken as part of the process. In addition there will be a report run on a monthly basis to ensure these cases are being addressed.
	1,782 welcome letters were not issued to members joining the scheme within the statutory 2 month from the point that the employer has notified the scheme of the member joining.	Welcome letters are now being issued in accordance with the regulations and processes reviewed to ensure there is no delay in the future. The high volumes were as a result of an employer backlog being cleared, with data now being provided monthly.

## 6. Internal Dispute Resolution Procedure

- 6.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.
- 6.2 In the period January to May 2020 the following activity occurred:

Nature of dispute	Stage 1	Stage 2	The Pensions Ombudsman (TPO)
Transfer out of pension benefits after benefit crystallisation event (received 03/12/2018)	Not upheld (29/01/2019)	Not upheld (15/5/2019)	Correspondence exchanged in January 2020. No further contact from TPO since.
Entitlement to frozen refund (received 21/11/2019)	Not upheld (13/01/2020)	N/A	N/A
Transfer out reinstatement (05/12/2019)	Pending additional information from scheme member requested 03/03/2020 – no further communication received.		

## 7. Data Improvement Plan 2019/20 – progress update

### 7.1 Resolution of unprocessed leaver records

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

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

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

**Update:** This activity has now been reframed in the 2020-21 Business Plan.

From the baseline position 3,017 (52%) backlog unprocessed leaver cases have now been completed. 309 of the outstanding cases are Phase 1 cases being processed by Aon, but require outstanding employer information in order to be processed.

Category	Total
Baseline (July 2018)	5,823
May 2020	2,806

**Future milestones:** Ongoing progress of this activity has been added to the 2020-21 Business Plan.

## 7.2 Contracted-out liabilities rectification

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

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

**Update:** The delay in HMRC issuing the final data file has impacted the completion of this activity. At the time of writing it is expected that the final file of data will be received by 31 July 2020. HMRC have announced that the final file of data will contain some incorrect information which they will not be fixing. As such ITM Limited will be undertaking a further piece of work to ensure that correct information is used when the rectification of member's records is undertaken. Assuming the final file of data from HMRC is issued by 31 July, rectification of member records should commence in the autumn of 2020.

## 8. Employers Admissions and Cessations

8.1 The following admission bodies have been admitted to the Cambridgeshire Pension Fund:

- ABM Catering
- Busy Bee Cleaning Services
- Easy Clean Contractors
- Pabulum Ltd
- Taylor Shaw
- Radis Community Care
- VHS Cleaning Services Ltd

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

- Advanced Cleaning Services (ACS) Ltd
- Aspens Ltd
- Holmewood and District Internal Drainage Board
- Leisure Provisions Ltd,
- P3 – People, Potential and Possibilities
- Wisbech Grammar School
- Chilford Hundred Trust

## 9. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>

Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

## 10. Risk Management

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

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

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

## 11. Communication Implications

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

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

## 13. Legal Implications

- 13.1 Not applicable

## 14. Consultation with Key Advisers

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

## **15. Alternative Options Considered**

15.1 Not applicable

## **16. Background Papers**

16.1 Not applicable

## **17. Appendices**

17.1 Appendix 1 Variances against the forecast of investments and administration expenses

17.2 Appendix 2 Key Performance Indicators – LGSS Pensions

17.3 Appendix 3 Receipt of Employee and Employer Contributions

17.4 Appendix 4 Late payments of employee and employer contributions (private and confidential)

<b>Checklist of Key Approvals</b>	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 <sup>nd</sup> June 2020

## Appendix 1 – LGSS Pensions Administration Report

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

Fund Account	2020-21 Estimate	2020 -21 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	130,000	130,000	-	
Transfers in from other pension funds	5,200	5,200	-	
<b>Total income</b>	<b>135,200</b>	<b>135,200</b>	<b>-</b>	
Benefits payable	(114,000)	(114,000)	-	
Payments to and on account of leavers	(10,200)	(10,200)	-	
<b>Total Payments</b>	<b>(124,200)</b>	<b>(124,200)</b>	<b>-</b>	
	<b>11,000</b>	<b>11,000</b>	<b>-</b>	
Management Expenses	(5,149)	(5,283)	134	See analysis below
<b>Total income less expenditure</b>	<b>5,851</b>	<b>5,717</b>	<b>134</b>	
Investment income	40,000	40,000	-	
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	69,000	69,000	-	
<b>Net return on investments</b>	<b>109,000</b>	<b>109,000</b>	<b>-</b>	
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>114,851</b>	<b>114,717</b>	<b>134</b>	

<b>Management Expenses</b>	<b>2020-21 Estimate</b>	<b>2020-21 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	-2,644	-2,713	69	Increase in staff related costs as below.
Total Governance Expenses	-784	-849	65	Includes £22.5k 19/20 HEAT costs from Hymans. Circa. 200% increase on audit costs for the year due to a review of costs by EY.
Total Investment Invoiced Expenses	-1,721	-1,721	-	
<b>Total Management Expenses</b>	<b>-5,149</b>	<b>-5,283</b>	<b>134</b>	

<b>Administration Expenses Analysis</b>	<b>2020-21 Estimate</b>	<b>2020-21 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related	-1,423	-1,496	73	Staff costs are currently over budget as the budget is full capacity less 3 FTE Pension Officers. The section is only 1 FTE off full capacity.
Altair System and payroll system	-336	-336	-	
Data Improvement Projects	-313	-313	-	
Communications	-71	-71	-	
Other Non-Pay and Income	-16	-12	-4	Current underspend on agency costs.
County Council Overhead Recovery	-485	-485	-	
<b>Total Administration Expenses</b>	<b>-2,644</b>	<b>-2,713</b>	<b>69</b>	



## Appendix 2 - Key Performance Indicators – LGSS Pensions January, February, March, April and May 2020

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	January: 437 February: 206 March: 255 April: 197 May: 186	304 114 224 188 172	133 92 31 9 14	70 55 88 95 92	Amber Amber Amber Green Green	SLA target not met SLA target not met SLA target not met SLA target met SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	January: 45 February: 24 March: 27 April: 35 May: 33	44 23 25 34 32	1 1 2 1 1	98 96 93 97 97	Green Green Amber Green Green	SLA target met SLA target met SLA target not met SLA target met SLA target met
Payment of pension benefits from deferred membership status.	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	95%	January: 42 February: 41 March: 39 April: 57 May: 17	31 38 35 46 16	3 3 4 11 1	74 93 90 81 94	Amber Amber Amber Amber Amber	SLA target not met SLA target not met SLA target not met SLA target not met SLA target not met
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	January: 31 February: 24 March: 12 April: 18 May: 21	31 24 12 18 21	0 0 0 0 0	100 100 100 100 100	Green Green Green Green Green	SLA target met SLA target met SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	January: 64 February: 66 March: 65 April: 43 May: 45	61 66 61 42 44	3 0 4 1 1	95 100 94 98 98	Green Green Green Green Green	SLA target met SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	January: 58 February: 53 March: 48 April: 10 May: 11	58 47 33 8 10	0 6 19 2 1	100 89 69 80 91	Green Amber Amber Amber Amber	SLA target met SLA target not met SLA target not met SLA target not met SLA target not met

Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	January:	6	6	0	100	Green	SLA target met
			February:	5	5	0	100	Green	SLA target met
			March:	9	9	0	100	Green	SLA target met
			April:	4	4	0	100	Green	SLA target met
			May:	5	5	0	100	Green	SLA target met

**Notify leavers of deferred benefit entitlement.** Volume of work delivered caused a delay in being able to check and finalise cases. Half of the Records Team were being used on a high priority project which slowed team productivity. Project work was completed in March and a new process has been implemented.

**Payment of retirement benefits from active employment.** Active retirements were not being completed on time as a result of absences within team in March. Increased resource has been allocated to this area with additional cover to hand if needed to ensure sufficient cover to complete these within the statutory time frame.

**Payment of pension benefits from deferred membership status.** Active retirements took precedent and tasks were not being effectively managed. Increase in other areas of work such as estimates also added to the pressures within the team. There has now been a reorganisation of rotas to ensure these are being processed in a timely manner.

**Provide transfer-in quote to scheme member.** High volumes of work coupled with reduced staff in the team due to sickness in February and March impacted the work carried out in this area. Providing additional team training impacted the statistics for the period January to April and in May the cases were not identified from the work pool early enough, this has now been reviewed to ensure cases are picked up within the statutory and SLA timeframes going forward. System performance issues have also been a contributing factor to the stats from February onwards.

**Appendix 3 - Receipt of Employee and Employer Contributions**

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
May 2019	97.6	2.4	98.0	2.0
June 2019	99.6	0.4	100	0
July 2019	98.7	1.3	95.9	4.1
August 2019	98.3	1.7	99.6	0.4
September 2019	100	0	98.3	1.7
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
December 2019	97.1	2.9	97.1	2.9
January 2020	98.7	1.3	98.7	1.3
February 2020	96.6	3.4	96.7	3.3
March 2020	99.8	0.2	100	0
April 2020	99.6	0.4	99.3	0.7
<b>Average for period</b>	<b>98.8</b>	<b>1.2</b>	<b>98.4</b>	<b>1.6</b>



# Cambridgeshire Pension Fund



## Pension Fund Board

3<sup>rd</sup> July 2020

**Report by:** Head of Pensions

<b>Subject:</b>	<b>Governance and Compliance Report</b>
<b>Purpose of the Report</b>	To provide the Pension Fund Board with information on: 1) The activities of the Scheme Advisory Board (section 2) 2) The Local Government Pensions Committee, The Pensions Ombudsman and The Pensions Regulator – Coronavirus response (section 3, 4 and 5) 3) Legislation update (section 6) 4) Local governance matters (section 7 and 8) 5) Skills and knowledge opportunities (section 9 and appendix 4).
<b>Recommendations</b>	<b>That the Pension Fund Board notes the content of the report.</b>
<b>Enquiries to:</b>	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

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

## 2. The Scheme Advisory Board

### 2.1 Guidance on Responsible Investment Guidance - update

- 2.1.1 On 22<sup>nd</sup> November 2019 the Scheme Advisory Board issued the first part of guidance on responsible investment which was open for consultation until 11<sup>th</sup> January 2020 (section 13.2 refers). The aim of the first part of the guidance was to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG (environmental, social and governance) policies as part of investment strategy statements.
- 2.1.2 The Scheme Advisory Board made it clear that there is no intention to prescribe the extent to which ESG policies must be adopted as this must remain a matter for local consideration and agreement in accordance with Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance.
- 2.1.3 ACCESS Funds collectively sought legal advice on the Draft Guidance which was fed into a joint response to the Scheme Advisory Board which can be found in **private appendix 1**.

- 2.1.4 As a result of the feedback from ACCESS and other Funds the Scheme Advisory Board issued a statement on 24<sup>th</sup> February 2020 acknowledging the concerns around the issues of fiduciary duty in the context of the LGPS and in particular the roles and responsibilities of elected members responsible for making investment decisions.
- 2.1.5 The Scheme Advisory Board statement recognised that the issues of fiduciary duty that were discussed during the recent Palestine Solidarity Supreme Court case (see 2.2) could shed some light on how the fiduciary duty test applies to LGPS investment decision makers and also the amendments to the Pension Schemes Bill which could have a significant impact on the way in which Investment Strategy Statements are prepared on ESG and climate change issues (section 4.1.1 refers).
- 2.1.6 For these reasons the Scheme Advisory Board felt it was not prudent at that stage to offer any definitive advice or guidance on how the fiduciary duty test applies to investment decision makers in the LGPS. Instead, the Scheme Advisory Board will consider and evaluate the judgement handed down by the Supreme Court and the government's position on the proposed climate change provisions in the Pension Schemes Bill before proceeding further.
- 2.1.7 However, the Scheme Advisory Board note that there are matters outside fiduciary duty where advice and information would continue to be helpful and so the guidance will be restructured to explain and clarify the terminology associated with responsible investment and provide investment decision makers with a range of information, case studies and tools to assist with the challenges associated with responsible investment. Stakeholders will be able to comment on this document once produced.

## **2.2 Supreme Court Decision on LGPS Investment Guidance**

- 2.2.1 In June 2017 the High Court published its judgement in a judicial review case concerning the statutory guidance issued to accompany the LGPS (Management and Investment of Funds) Regulations 2016. The case was brought by the Palestine Solidarity Campaign Ltd and an LGPS member. It ruled that the section within the guidance stating that administering authorities should not pursue policies that are contrary to UK foreign policy or UK defence policy was unlawful.
- 2.2.2 The statutory guidance was reissued in 2017 with the relevant statements removed, however, the Ministry of Housing, Communities and Local Government (MHCLG) appealed the High Court decision.
- 2.2.3 In June 2018 the Court of Appeal disagreed with the original ruling by the High Court which allowed the case to move to the Supreme Court. The statutory guidance remained published with the relevant statements removed.
- 2.2.4 In April 2020 the Supreme Court ruled that the legislation does not permit the Secretary of State to impose the government's view on foreign and defence policy on LGPS administering authorities.
- 2.2.5 On 11<sup>th</sup> May 2020 the Scheme Advisory Board published a statement on the Supreme Court judgement within which the Board welcomed the clarity resulting from the judgement. It also stated that the view of the Board is that responsible investment policy decisions belong at the local level reflecting the need to pay pensions now and in the future, local democratic accountability and the view of scheme members and that outcomes of policy developments should not be subject to restrictions based on unrelated matters.

- 2.2.6 On 8<sup>th</sup> June 2020 the Scheme Advisory Board published a summary of the Supreme Court judgement which was drafted with the assistance of the Board's legal advisor in an attempt to clarify the impact of the judgement on administering authorities.
- 2.2.7 The summary concludes that the fundamental duties and responsibilities of administering authorities remain the same in that they are responsible for investment decisions.
- 2.2.8 Should an authority wish to consider the non-financial factors in its investment decisions it may do so taking into account the requirements of the guidance including the potential financial impact and the views of its members. Such consideration may legally result in boycotts or disinvestment should the authority decide.
- 2.2.9 It should be noted that summary (that can be found in **appendix 2**) represents the views of the Scheme Advisory Board and doesn't constitute legal advice nor should it be relied upon or treated as a substitute for specific legal advice relevant to particular circumstances.

## **2.3 Good Governance Review**

- 2.3.1 At the Scheme Advisory Board meeting of 3 February 2020 resources for phase 3 of the project were agreed. Phase 3 will determine the outcome measures it will use, the format of this work and a timetable for implementation.
- 2.3.2 At the time of writing there were no further updates to report.
- 2.3.3 An in-depth presentation on the Good Governance Review was delivered at the Information Day held at Wyboston Lakes on 6<sup>th</sup> March 2020. Copies of the slides were sent to members of the Pension Fund Board following the event.

## **2.4 Annual Report**

- 2.4.1 On 22<sup>nd</sup> May 2020, the 2019 LGPS England and Wales scheme annual report was published of which the highlights were:
- Total membership increased from 5.8m in 2018 to 5.9m in 2019 (0.6% increase)
  - Total assets increased by 5.9% to £291bn
  - Local authority returns on investment over 2018/19 was 6.6% (this was reflective of the market conditions during the year and set against the UK return of 6.4%).
  - The scheme maintained a positive cash-flow position overall, including investment income
  - Over 1.7m pensioners were paid over the year.
- 2.4.2 The full report can be found at the following link:  
<https://lgpsboard.org/index.php/schemedata/scheme-annual-report>

## **2.5 Coronavirus Response and Governance Survey**

- 2.5.1 During the first two weeks of May 2020 the Scheme Advisory Board undertook a survey to understand how the governance of the LGPS has been affected by the Coronavirus. The majority of administering authorities in England, Wales, Scotland and Northern Ireland responded to the survey.

2.5.2 One of the highlights from the report concerned virtual Pension Fund Committee and Local Pension Board meetings. 73 out of the 83 respondents had already held or were planning to hold virtual meetings with the remaining 10 using alternative methods for decision making such as delegated decision making to a combination of the s151 Officer and/or Chairman or Vice-Chairman, the Chief Executive or a Covid-19 Special Committee.

2.5.3 The summary of the survey findings can be found at the following link:  
[https://lgpsboard.org/images/Covid-19/LGPS\\_governance\\_survey\\_results\\_May2020.pdf](https://lgpsboard.org/images/Covid-19/LGPS_governance_survey_results_May2020.pdf)

### **3. Local Government Pensions Committee (LGPC) – Coronavirus response**

3.1 The LGPC, which is part of the Local Government Association (LGA), provides technical advice and information on the LGPS and related compensation matters to LGPS administering authorities and employers. It is a vital and valuable service that is funded through an annual levy calculated on membership numbers.

3.2 To support administering authorities during the pandemic the LGPC have set up dedicated news and information pages on their website <http://www.lgpsregs.org/news/covid-19-news-2020.php>. These pages contain:

- Frequently asked questions for scheme members, employers and administrators
- Guidance on the government's Coronavirus job retention scheme, re-employment of key workers and the NHS and Social Care Coronavirus Life Assurance Scheme (England).
- Links to the Pensions Regulator and Pensions Administration Standards Association guidance for administrators and employers.

3.3 The frequently asked questions for employers and scheme members have been made available on the LGSS Pensions Website at the following links:

Scheme members: <https://lgssmember.pensiondetails.co.uk/home/coronavirus>

Scheme employers: <https://pensions.northamptonshire.gov.uk/covid-19-important-information/>

### **4. The Pensions Ombudsman – Coronavirus response**

4.1 At the start of lockdown the Pensions Ombudsman made an announcement that they would not be able to process any new enquiries or complaints received either by email or post and that they would be focussing on existing queries and complaints only. The Pensions Ombudsman did state that they would, wherever possible, use their discretion to extend the three-year time limit for new applicants affected by the period of restricted service.

4.2 The Pensions Ombudsman has since announced that from 22<sup>nd</sup> April 2020 they will accept new applications by email and their telephone lines were reopened but do not have access to correspondence sent by post during the lockdown period.

### **5. The Pensions Regulator**

#### **5.1 Coronavirus Response**

5.1.1 On 2<sup>nd</sup> April the Pensions Regulator issued guidance on the operational priorities that scheme administrators should focus on during the pandemic as follows;

Paying members' benefits  
Retirement processing



Bereavement services  
Processes needed to ensure benefits are accurate

- 5.1.2 These operational priorities reflect those contained within the Fund's Business Continuity Plan.

## **5.2 Pension Scams**

- 5.2.1 The Pensions Regulator also warned scheme administrators to be vigilant and make sure members are not rushed into any financial decisions during the uncertain time of the pandemic where members could be at risk of being targeted by scammers.
- 5.2.2 As such the Pensions Regulator in conjunction with the Financial Conduct Authority and the Money & Pensions Service have produced a leaflet for scheme members advising of how they may be a target of a scam and signposting for further support and advice.
- 5.2.3 This leaflet (which can be found in **appendix 3** is now included in all communications to scheme members in which they have enquired about a transfer to any non-occupational pension scheme.

## **6. Legislation update**

### **6.1 Pension Schemes Bill 2019**

- 6.1.1 On 19 December, in the Queen's Speech, it was announced that the Pension Schemes Bill will be reintroduced. The Bill will create a legislative framework for the introduction of pension dashboards, to strengthen the Pensions Regulator's powers to take action against employers and introduce regulations covering the right to a pension transfer. Further amendments to the Bill concern the way in which Investment Strategy Statements are prepared with reference to ESG and climate change issues.
- 6.1.2 Further line by line examination of the Bill was scheduled to be undertaken by the House of Lords on 30 June 2020.

### **6.2 McCloud update**

- 6.2.1 The McCloud case concerns the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the Judges and Firefighters' Pension Scheme introduced as part of the public service pension schemes reform.
- 6.2.2 On 20<sup>th</sup> December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and couldn't be justified. The Supreme Court denied the government permission to appeal on 27<sup>th</sup> June 2019.
- 6.2.2 On 15<sup>th</sup> July 2019 a statement from the Chief Secretary to the Treasury confirmed that as protections were applied to all members within 10 years of retirement in all other public service pension schemes (such as the LGPS) that the principals of the outcome would apply to all public service pension schemes.
- 6.2.3 In the LGPS the protection compares the benefits payable under current rules with benefits that would have been paid if the scheme had not changed in 2014 and pays the higher.

- 6.2.4 Members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to ensure that the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.
- 6.2.5 On 15<sup>th</sup> November 2019, the Scheme Advisory Board provided an update within which it was suggested that it was likely the LGPS will be treated separately from the rest of the public sector with regards to the remedy and would likely involve the extension of some form of underpin to members in scope who are currently not offered protection. As such a full history of part time hour changes and service breaks from 1<sup>st</sup> April 2014 will be needed to recreate the service history. It is also likely that in order to ensure reverse discrimination doesn't occur all leavers since 2014 will need to be checked against a new underpin.
- 6.2.6 Decisions on scope, extent, nature of the remedy will largely be driven by the views of government lawyers who will seek to ensure that any agreed remedy removes as far as possible the risk of challenge.
- 6.2.7 It is thought that not many members will see any increase to their benefits and for others any increase is likely to be small due to low salary growth since the new schemes were introduced. Changes to the scheme will be backdated to April 2014 and will apply to all qualifying members who left the LGPS after that date and will also include the benefits of those that have since transferred out and survivors pensions.
- 6.2.8 Implementing and communicating the changes will be extremely challenging and not expected to commence before the end of 2020/21. The Scheme Advisory Board have established an implementation group to assist LGPS administering authorities and employers with this challenge.
- 6.2.9 Scheme members need not take any action or submit a 'claim' as their benefits will be automatically adjusted where appropriate. Claims companies have been targeting members of other public service pension schemes such as the Teachers' and Police Pension Schemes and charging a fee for a service that members do not need to use.
- 6.2.10 A 12 week consultation on the proposed changes to the LGPS regulations as a result of the remedy is expected to commence in July 2020. Ahead of this, the Fund's benefit and governance consultants Aon Solutions UK Limited have been commissioned to provide all key staff within LGSS Pensions with training on the background and remedy of McCloud. Senior managers will be provided with information on the likely scale of the administration work required as a result of the remedy with a view to scoping a project plan as referenced in the Business Plan and Medium Term Strategy. It is anticipated that a verbal update will be provided at this meeting on the information supplied by Aon.

### **6.3 LGPS (Amendment) Regulations 2020 – exit credits**

- 6.3.1 On 27<sup>th</sup> February 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published a partial response to the consultation covering the changes to the local valuation cycle and the management of employer risk. The response covers the proposals on exit credits only. MHCLG will submit a further response on the outstanding items in due course.
- 6.3.2 As a result the LGPS regulations, via the LGPS (Amendment) Regulations 2020, were amended on 20<sup>th</sup> March 2020 but with effect from 14<sup>th</sup> May 2018 so that:

- Administering authorities may determine the amount of any exit payment credit due, having regard to any relevant considerations
- An exit payment must be made within 6 months (previously 3 months)
- Administering authorities will not be obliged to enquire into the precise risk sharing agreement adopted
- Any exit credits that have not been paid shall only be due if the administering authority exercises its discretion to pay them
- Any exit credits that have been paid shall be treated as if the administering authority exercised its discretion to pay that amount – an administering authority may not seek to change the amount paid
- The Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the Internal Dispute Resolution process
- Administering authorities should set out their exit credit policy in their Funding Strategy Statement.

## **7. Local Pension Board Insurance**

- 7.1 The Local Pension Board insurance policy for members of the Cambridgeshire Pension Fund Local Pension Board has been renewed for the 2020/21 financial year. A copy of the policy can be made available upon request.

## **8. Transfer of Additional Voluntary Contributions (AVC) policies from Equitable Life to Utmost Life and Pensions**

- 8.1 Following the High Court hearings on 22 and 25 November 2019, court approval to transfer the business of Equitable Life to Utmost Life and Pensions was received on 4 December 2019 effective 1 January 2020.
- 8.2 Uplifts have now been applied to with-profits policies and subsequently converted to unit-linked policies. Members with these AVC policies have been written to confirming the transfer has taken place and have been given details of the alternative investment strategies other than the default investment option selected by the Fund.

## **9. Skills and knowledge opportunities – training events**

- 9.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Committee to maintain the necessary skills and knowledge to undertake their role effectively.
- 9.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Committee, **appendix 4** lists the main events that are deemed useful and appropriate.
- 9.3 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.
- 9.4 It should be noted that the schedule of events in appendix 4 details only the events that are known to be taking place during the pandemic and are virtual/online events only. As soon confirmation is received that face-to-face events are able to be held an amended schedule of events will be issued.

## 10. Relevant Pension Fund Objectives

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

## 11. Risk Management

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

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

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

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

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

## 12. Finance & Resources Implications

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

## 13. Communication Implications

<b>Training</b>	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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## 14. Legal Implications

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

## 15. Consultation with Key Advisers

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

## 16. Alternative Options Considered

- 16.1 There are no alternative options to be considered.

## 17. Background Papers

- 17.1 Scheme Advisory Board Draft Responsible Investment Guidance (Part 1) - [https://lgpsboard.org/images/Consultations/RIGuidance/DRAFT\\_Part\\_1\\_Responsible\\_Investment\\_Guidance\\_Final\\_pdf\\_version.pdf](https://lgpsboard.org/images/Consultations/RIGuidance/DRAFT_Part_1_Responsible_Investment_Guidance_Final_pdf_version.pdf)

## 18. Appendices

- 18.1 **Private Appendix 1** – ACCESS response to Scheme Advisory Board draft responsible guidance
- 18.2 Appendix 2 – Scheme Advisory Board summary Supreme Court judgement
- 18.3 Appendix 3 – The Pensions Regulator’s scam warning leaflet
- 18.4 Appendix 4 – Schedule of virtual training events.

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 June 2020



## The Local Government Pension Scheme Advisory Board

### Supreme Court decision on LGPS investment guidance

#### Summary

In a [judgment](#) handed down on 29 April 2020, the Supreme Court has ruled by a narrow majority that the Secretary of State for Housing, Communities and Local Government exceeded his powers when issuing [guidance](#) in 2016 to Local Government Pension Scheme (LGPS) administering authorities which purported to prohibit the adoption of investment policies that are contrary to UK foreign policy or UK defence policy.

#### Background

- 1 November 2016 - The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the **2016 Regulations**) come into force setting out the provisions governing the management and investment of LGPS pension funds by administering authorities. Regulation 7(1) of the 2016 Regulations provides for the formulation by administering authorities of an investment strategy statement in accordance with statutory guidance.
- 1 November 2016 - As envisaged by the 2016 Regulations, statutory “Guidance on Preparing and Maintaining an investment strategy statement” issued by the then Department for Communities and Local Government came into effect. The guidance permitted ethical and social objections to a particular investment to be taken into account. However, it expressly stated that it was “*inappropriate*” for administering authorities to use pension policies “*to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries...other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government*”, and that LGPS funds “*should not pursue policies that are contrary to UK foreign policy or UK defence policy*”. This restriction would have operated even if the proposed investment policy did not involve significant financial risk to the fund and irrespective of whether there were reasonable grounds to believe that it would be supported by members.
- June 2017 - A judicial review challenge was brought by Palestine Solidarity Campaign Ltd and a LGPS member, alleging that the Secretary of State had gone beyond the scope of the powers granted to him under the 2016 Regulations by including these passages in the guidance. The High Court agreed, finding that the powers provided by the legislation could only be exercised for pension purposes and that the Secretary of State had not acted for such a purpose when issuing the guidance.
- July 2017 – The Department reissued the guidance with the relevant passages removed.
- June 2018 - The Secretary of State appealed the decision and the Court of Appeal disagreed with the High Court allowing the appeal. The decision found that there was nothing objectionable in the Secretary of State having regard to considerations of wider public interest, including foreign policy and defence policy, in formulating such guidance. However, the Department did not revise the guidance at that point because leave to appeal the Court of Appeal decision was granted.

- April 2020 – Supreme Court decision on the appeal by the Palestine Solidarity Campaign Ltd and a LGPS member against the Court of Appeal decision was published.

## Purpose of the summary

This summary seeks to clarify the direct legal impact of the Supreme Court's judgement in relation to investment guidance issued by the Secretary of State. It also includes items of interest from the court's reasoning in reaching its judgement that may inform the thinking of both scheme stakeholders and government in the future.

## The Decision and its Direct Impact

Essentially, the Supreme Court had to answer the following question: is the power granted to the Secretary of State under the 2016 Regulations wide enough to entitle him to issue guidance which effectively prohibits LGPS administering authorities from pursuing policies that are contrary to UK foreign or defence policy? If that power is not wide enough to allow the Secretary of State to issue guidance in such terms, then it was unlawful for him to do so.

By a 3-2 majority, the Supreme Court found that the Parliamentary purpose in conferring the relevant power on the Secretary of State was to enable him to provide guidance about how administering authorities should administer and manage the LGPS funds, and how, within the investment strategy, they should take ethical considerations into account.

However, the Court found that in the contested passages of the guidance, the Secretary of State had, according to Lord Wilson, incorporated something quite different: *"an attempt to enforce the government's foreign and defence policy"*.

The outcome of the decision is that the Secretary of State went beyond his powers by including the contested passages in the guidance. The reissued guidance from July 2017 (with the relevant passages removed) remains valid.

The judgement does not change the fundamental duties and responsibilities of LGPS administering authorities in relation to their investment or other powers. The administering authorities remain responsible for investment decisions.

## Potential Indirect Impact of the Decision on MHCLG Guidance

Although the decision did not challenge the validity of any extant guidance (in fact comments made by the Court do not challenge the status of the investment guidance outside of the contested passages), the Court's reasoning may impact on the nature of future guidance issued by the Secretary of State.

Section 3 of the Public Service Pensions Act 2013 (the **2013 Act**) enables the responsible authority to make, subject to the Act, such regulations as they 'consider appropriate'. Schedule 3 of the Act sets out the matters for which regulations may make provision these include, at paragraph 12, the *"administration and management"* of schemes, including for the issue of guidance or directions in that regard.

The Supreme Court found that the policy of the 2013 Act, recognised in the case of the LGPS by the 2016 Regulations and indeed by most of the guidance, is for guidance to identify procedures and the strategy which administering authorities should adopt in the discharge of their functions.



However, Lord Carnwath states that the scope of statutory guidance does not necessarily have to be “*confined to purely procedural or operational matters*”. For example, there is no reason “*why the guidance should not extend to guidance on the formulation of the investment strategy, including the social and other matters appropriate to be taken into account*.”

Whilst the Secretary of State had the power, through guidance, to direct how administering authorities should approach the making of investment decisions by reference to non-financial considerations, the Secretary of State did not have the power to “*direct (in this case for entirely extraneous reasons) what investments they should not make*” (Lord Wilson). In doing so, the Secretary of State went beyond his powers.

The Supreme Court’s comments could have wider implications for MHCLG should it wish to consider using statutory guidance to mandate how LGPS administering authorities should act in the future. Although the actual impact of these comments will vary from case to case such action may in future require changes to the relevant regulations governing the LGPS.

## **Other Points of Interest in the Decision**

### **Investment Issues**

Following the Supreme Court’s decision, it is now clear that current legislation does not permit the Secretary of State to impose the government’s view on foreign and defence policy on LGPS administering authorities.

Whilst the Board has not been made aware whether any LGPS funds are in fact actively seeking to formulate ESG policies which would run counter to UK government policy in these areas, we now have certainty that, subject to compliance with the reminder of the guidance, it would be lawful for them to do so.

None of the judges take issue with the section of the guidance dealing with the extent that administering authorities can take social, environmental and corporate government factors into account when making investment decisions. Lord Wilson specifically notes that there is general acceptance that the criteria proposed by the Law Commission are lawful and appropriate and that administering authorities may take non-financial considerations into account where this would “*not involve a risk of significant financial detriment*” and where the administering authority has “*good reason to think that scheme members would share the concern*.”

Fundamentally, the decision does not change the role or duties of administering authorities in relation to their investment or other powers and confirms that the administering authority remains responsible for investment decisions.

### **Status of Administering Authorities**

The judgment confirms that a local authority, when acting in its role as an administering authority of an LGPS fund, should not be viewed as part of the machinery of the state, acting on behalf of the UK central government.

There is express endorsement by Lord Wilson of the view that administering authorities have duties which are “*similar to those of trustees*” and, of Lord Carnwath, that they are “*quasi-trustees*” of their funds. References to quasi-trustees would appear to be taken straight from

statements in the Law Commission report that “*in practice administering authorities consider themselves to be quasi-trustees*”. The Law Commission report does not go further than this, other than quoting some LGPS fund materials to support the statement.

However, the term “quasi trustee” has no clear legal definition in pension legislation (public or private) and therefore we should be careful not to read too much into this statement with regard to the legal status of administering authorities other than they have duties which are similar to trustees.

Importantly, the judgment does not suggest that administering authorities are actual trustees and does make it clear that the LGPS is a statutory occupational pension scheme<sup>1</sup> not a trust-based pension scheme.

### **Are LGPS Funds Public Money?**

In pursuing an argument that administering authorities were part of the machinery of state, MHCLG also argued that LGPS funds are “*public money*”. What MHCLG appear to have argued is that because LGPS funds are ultimately funded by the taxpayer, they are effectively the government’s money and therefore the government has the power to direct how those funds should be used via guidance.

Lord Wilson rejected this argument, quoting Sir Nicolas Browne-Wilkinson VC from the Imperial Tobacco case<sup>2</sup>, making the point that contributions are paid by both employees and employers and that employer contributions are made in consideration of the work done by their employees and so represent another element of the employees’ overall remuneration.

Lord Wilson came to the conclusion that LGPS funds should rather be viewed as representing employees’ money rather than public money.

This comment may be at risk of being taken out of context and should not be interpreted as meaning that LGPS funds are owned or controlled by the members. It is clear elsewhere in the judgement that the LGPS is a statutory pension scheme and that the primary responsibility for delivering the functions of the LGPS rests with its administering authority.

There is no suggestion that the assets of an LGPS fund legally vest in anybody but the administering authority. We do not believe that Lord Wilson was making such a suggestion. In fact, Lord Carnwath specifically states that, “*responsibility for investment decisions thus rests with the administering authorities*”.

### **Conclusion**

Although the judgement was primarily concerned with the exercise of the Secretary of State’s powers, comments made by Lord Wilson and Lord Carnwath may be viewed as providing support for ensuring that, when taking non-financial considerations into account in relation to investment decisions, members’ views should be effectively communicated to, and considered by, administering authorities as an intrinsic part of their investment decision making processes.

Otherwise, the judgement does not change the fundamental role or duties of LGPS administering authorities in relation to their investment or other powers and confirms that

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<sup>1</sup> Paragraph 4 of the judgement.

<sup>2</sup> Imperial Group Pension Trust Ltd v Imperial Tobacco Ltd [1991] 1 WLR 589, 597

administering authorities remain responsible for the investment decisions of their respective funds.

8<sup>th</sup> June 2020





Dear Member

We are writing to you as you may be considering transferring your pension. In these times of financial uncertainty, we are asking you to be very careful. Since the coronavirus outbreak began, stock markets have fallen and are likely to go up and down for some time. However, your pension remains a safe, long-term investment for your retirement, and transferring it is a serious decision so please do not do anything in haste.

If anyone approaches you directly to offer transfer advice, be on your guard. The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up – it could be a scam. You can also visit the ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to check the firm you are dealing with is regulated and to see whether what you're being offered is a known scam or has the signs of a scam.

There are two types of pension – defined benefit (DB) and defined contribution (DC). If you have a DB pension, the benefits you'll get in retirement (including how much you get paid each month) are specified – whereas with a DC pension, your benefits will depend on the performance of investments and the level of contributions made by you and your employer before your retirement.

Legislation gives you the right to 'transfer' your pension. However, whilst you have this right, in most cases, transferring out of a DB pension scheme into a different type of pension arrangement is unlikely to be in your best long-term interests as you'll be giving up a valuable level of predictability in your retirement income.

**Please remember that you can't change your mind once you've transferred out of a DB pension.**

It is therefore really important that you get guidance or advice before making a decision. The Pensions Advisory Service (TPAS) is part of the Money and Pensions Service and offers free specialist pensions guidance and will help answer any questions you may have. If your transfer value is more than £30,000, you are required by law to take advice from a suitably qualified financial adviser regulated by the Financial Conduct Authority (FCA), before you can transfer your benefits to a DC pension scheme.

Take your time to make all the checks you need – you can find suggested questions to ask your adviser on the FCA's website: <https://fca.org.uk/consumers/what-ask-adviser> with further information on pension transfers at <https://www.fca.org.uk/consumers/pension-transfer>

We hope that you are able to stay safe and well in these difficult times.

Yours sincerely



Nicola Parish  
The Pensions Regulator



Megan Butler  
Financial Conduct Authority



Alex Connolly  
The Money and Pensions Service

## Appendix 4

### Cambridgeshire Pension Fund - Online and virtual training events

Date	Event Description	Audience	Knowledge Credits
12 <sup>th</sup> June 2020	Schroders Trustee Responsibilities* (Webinar)	Officers, s151 Officers, Pension Committee and Local Pension Board members	2
19 <sup>th</sup> June 2020	Schroders The Pensions Landscape* (Webinar)	Officers, s151 Officers, Pension Committee and Local Pension Board members	2
24 <sup>th</sup> June 2020	CIPFA Local Pension Board Annual Event <a href="https://www.cipfa.org/training">https://www.cipfa.org/training</a> (Webinar)	Local Pension Board members	2
26 <sup>th</sup> June 2020	Schroders Growth Investment* (Webinar)	Officers, s151 Officers, Pension Committee and Local Pension Board members	2
3 <sup>rd</sup> July 2020	Schroders Managing Liabilities* (Webinar)	Officers, s151 Officers, Pension Committee and Local Pension Board members	2
15 <sup>th</sup> July 2020	LGSS Pensions Responsible Investment (RI) Information Day (via Zoom) <b>Objectives of the day:</b> To understand the importance of RI and how RI can be implemented within the context of pooling	Officers, s151 Officers, Pension Committee and Local Pension Board members	4
4 <sup>th</sup> November 2020	LGSS Pensions Information Day (content and method to be advised nearer the time)		

\*[https://www.schrodersevents.co.uk/schroders/frontend/reg/tOtherPage.csp?pageID=702386&ef\\_sel\\_menu=12871&eventID=1825](https://www.schrodersevents.co.uk/schroders/frontend/reg/tOtherPage.csp?pageID=702386&ef_sel_menu=12871&eventID=1825)





## Cambridgeshire Pension Fund



### Pension Fund Board

Date: 3<sup>rd</sup> July 2020

Report by: Head of Pensions

<b>Subject:</b>	<b>Pension Fund Annual Business Plan and Medium-Term Strategy 2019/20 to 2021/22</b>
<b>Purpose of the Report</b>	To present the Annual Business Plan and Medium-Term Strategy which details the Fund's key areas of activity over the period 2020/21 to 2022/23
<b>Recommendations</b>	<b>The Board is asked to note the attached Business Plan and Medium-Term Strategy</b>
<b>Enquiries to:</b>	Jo Walton – Governance and Regulations Manager Email: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

1.1 It is considered good governance for the Cambridgeshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:

- Sets out the objectives of Cambridgeshire County Council (the administering authority) with regards to the management of the Fund;
- Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives;
- Enables progress and performance to be monitored in relation to those priorities; and
- Provides a clear vision for the next three years.

1.2 The Business Plan and Medium Term Strategy for the Cambridgeshire Pension Fund for the period 2020/21 to 2022/23 is in Appendix 1.

## 2. The Business Plan and Medium-Term Strategy

2.1 The Business Plan and Medium-Term Strategy concentrates on activities that are not considered business as usual, identifying key milestones and budget requirements. It is split into the following core areas:

- Service delivery
- Governance and compliance

- Communications, systems and employer management
- Operations
- Investments

- 2.2 Progress made against the Business Plan will continue to be reported to the Board at each meeting via the Business Plan Update report or other relevant report (where appropriate). Where progress against the Business Plan has fallen behind schedule further detail will be provided.
- 2.3 Estimated costs for the non-business as usual activities in appendix 1 have been detailed alongside the activity and within the financial forecasting for the relevant years. Where further costs become known during the course of the new financial year these will be notified to the Pension Fund Board via the Business Plan Update report.
- 2.4 The proposed Business Plan and Medium-Term Strategy was due to be presented to the Pension Fund Committee in March but this meeting was cancelled due to the Coronavirus pandemic. The key activities were reviewed to ensure that timescales were achievable in the current climate and the full Business Plan was approved by the Pension Fund Committee on 18<sup>th</sup> June.
- 2.5 It should be noted that the asset performance within the Cash Flow Projection section of appendix 1 (page 10) do not include any estimated impact resulting from the Coronavirus pandemic.
- 2.6 In addition, the service is currently at full establishment with extremely limited staff turnover due to the Coronavirus pandemic. As a direct consequence it is likely that we will be below the 3 person vacancy factor allowed for in the staff budget, which may result in a small staffing overspend over the course of the current financial year.

### **3. Relevant Fund objectives**

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Continually monitor and measure clearly articulated objectives through business planning.
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

### **4. Finance & Resources Implications**

- 4.1 Performance against the financial estimates in the Business Plan will be presented to the Pension Fund Board each meeting.

### **5. Risk Management**

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

Update reports provided to the Pension Fund Committee and Pension Fund Board at every meeting.

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

5.3 The risks associated with failing to monitor progress made against the Business Plan and Medium-Term Strategy have been captured in the Fund's risk register as detailed below.

<b>Risk register</b>	<b>Risk mitigated</b>	<b>Residual risk</b>
Governance (risk 1)	The scheme would not be administered in line with regulations and policies	Green
Governance (risk 2)	Those charged with the governance of the Fund and scheme are unable to fulfil their responsibilities effectively	Amber

5.4 The full risk register can be found on the Fund's website at the following link:

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

## **6. Communication Implications**

<b>Direct Communications</b>	An update on progress made against the activities in the Business Plan will be presented to the Pension Fund Board each meeting.
<b>Website</b>	The Business Plan will be published on the Fund's website.

## **7. Legal Implications**

7.1 Not applicable.

## **8. Consultation with Key Advisers**

8.1 The Fund's current key advisers have been consulted in the Business Plan and Medium-Term Strategy where necessary, including Hymans Robertson and Aon.

## **9. Alternative Options Considered**

9.1 Not applicable.

## **10. Background Papers**

10.1 Not applicable.

## **11. Appendices**

11.1 Appendix 1 – Appendix 1 Annual Business Plan and Medium-Term Strategy 2020/21 to 2022/23

<b>Checklist of Key Approvals</b>	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 <sup>nd</sup> June 2020





**REVISED Annual Business Plan and Medium Term Strategy**

**2020/21 to 2022/23**

**Cambridgeshire Pension Fund**

## Introduction

This is the business plan for the Cambridgeshire Pension Fund which is managed and administered by LGSS Pensions on behalf of Cambridgeshire County Council. The business plan details the priorities and areas of key focus in relation to the Cambridgeshire Pension Fund for 2020/21, 2021/22 and 2022/23. The business plan was approved at the Cambridgeshire Pension Fund Committee meeting on 18 June 2020, rescheduled from March due to the Coronavirus pandemic. The business plan is monitored throughout the year and the Pension Fund Committee may be asked to agree changes to it.

The purpose of the business plan is to:

- Explain the background and objectives of Cambridgeshire County Council in respect of the management of the Cambridgeshire Pension Fund;
- Document the priorities and improvements to be implemented by during the next three years to help achieve those objectives
- Enable progress and performance to be monitored in relation to those priorities; and
- Provide a clear vision for the next three years.

In addition, the business plan includes a budget for expected payments to and from the Cambridgeshire Pension Fund during 2020/21 including the resources required to manage the Fund.

## Further information

If you require further information about anything included or in related to this business plan please contact:

Mark Whitby, Head of Pensions  
[mwhitby@northamptonshire.gov.uk](mailto:mwhitby@northamptonshire.gov.uk)  
07990 556197



## Background to the Cambridgeshire Pension Fund

The Cambridgeshire Pension Fund is a £3.19bn Local Government Pension Fund which provides retirement and death benefits for local government employees (other than teachers) in Cambridgeshire and employees of other qualifying bodies which provide similar services.

The Fund's total membership is approximately 90,000 of which 29,000 are active members from 254 individual contributing employers and approximately 61,000 retired, survivor, deferred and other members.

## Governance and management of the Fund

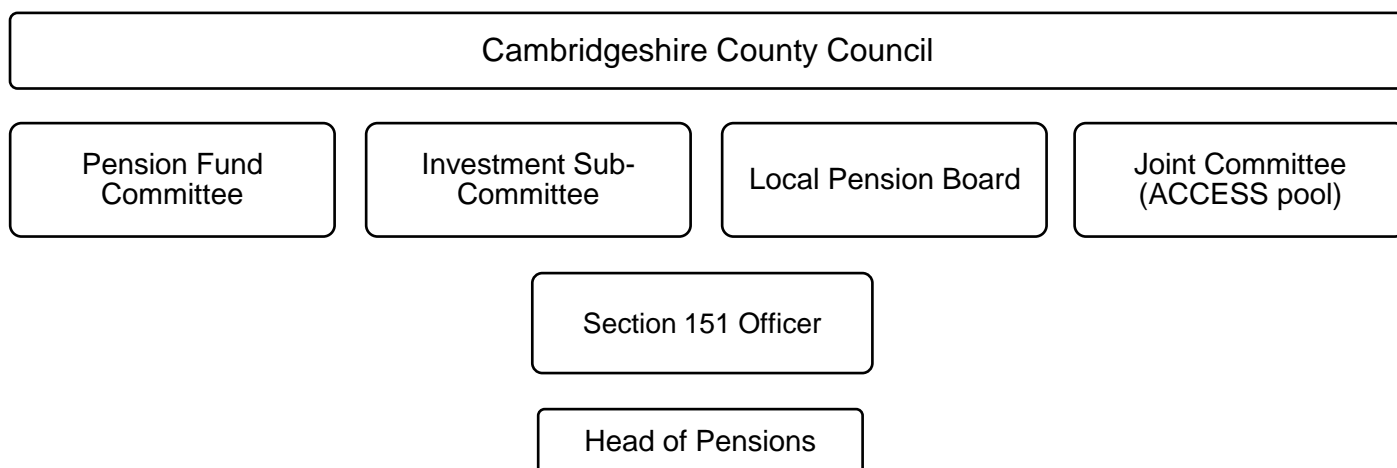
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

The Cambridgeshire County Council's Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters.

Eleven authorities, including Cambridgeshire County Council, are working collaboratively to meet the Government's asset pooling agenda by forming the ACCESS pool. A Joint Committee with representation from each Fund has been formed to oversee the governance of the pool.

A Local Pension Board is in place to assist in securing compliance of Fund matters and ensuring the efficient and effective governance and administration of the Fund.

The governance structure is detailed below:



## Administration of the Fund

In 2012, the administration of the Cambridgeshire Pension Fund was converged with that of the Northamptonshire Pension Fund following the creation of LGSS, a shared service joint committee arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Funds, however remain as two distinct entities. In 2016, Milton Keynes Council joined as a third partner but is not an LGPS administering authority.

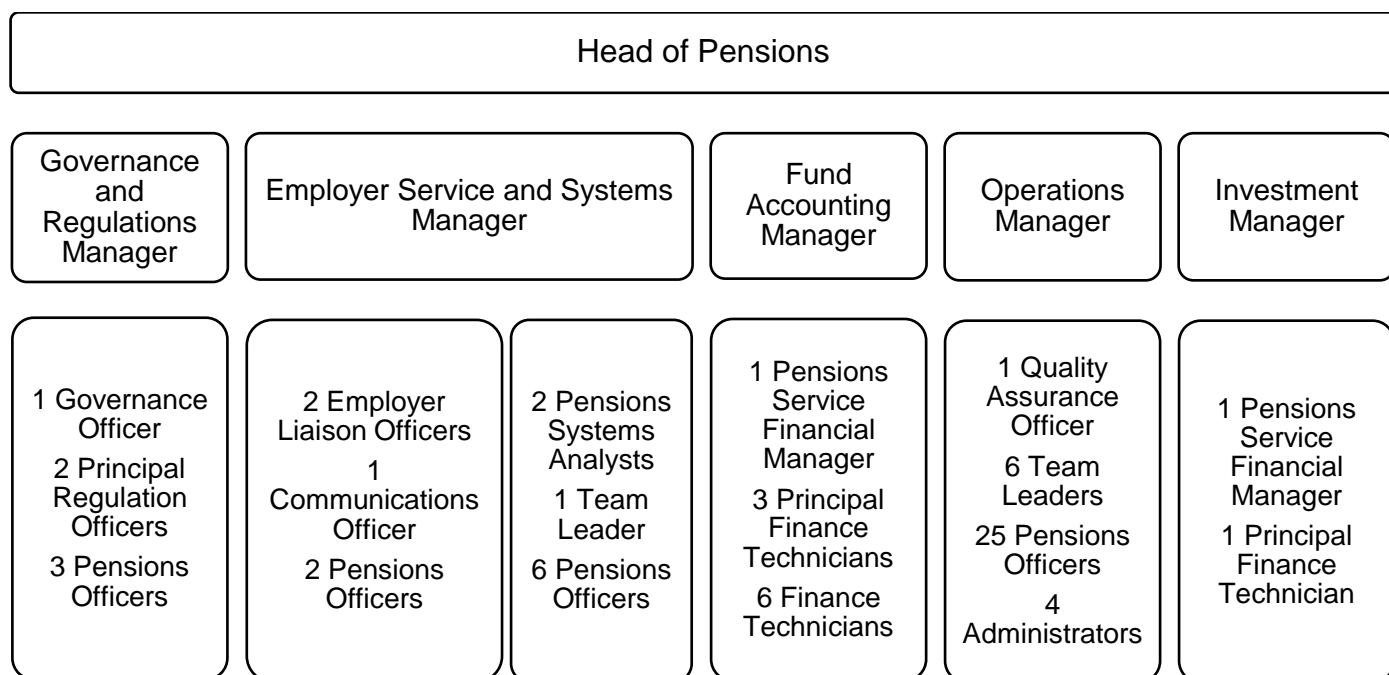
The administration and investment functions of both Funds have been fully converged for a number of years and are based at One Angel Square in Northampton. Both Funds have benefited from cost savings through the ability to procure services such as custodian and actuarial, benefits, governance and investment consultancy services on a joint basis as well as streamlining the provision of the administration functions.

During the 2020-21 year the administration of the Funds is expected to transition from the current shared service model to a Northamptonshire County Council led lead authority model.

The day to day operations of the Fund are managed by the Head of Pensions who is supported by five teams:

- The Operations Team is responsible for providing the full range of pension administration services. The team delivers a service that includes the calculation of retirement, deferred, death and survivor benefits, transfers in and out, refunds and member record maintenance.
- The Systems Team is responsible for maintaining the pension administration, payroll, employer and member self-service systems, reconciling membership data received from employers and the production of annual benefit statements.
- The Employers Team provide support to employers being admitted to and leaving the scheme, managing the triennial actuarial valuation process and liaison with scheme employers with regards to the responsibilities required of them. Scheme member and employer communications form a significant part of the team's function which ranges from the design and management of the Fund's website, presentations, workshops, newsletters and written communications.
- The Governance and Regulations Team is responsible for managing agendas, producing reports and delivering training to the Pension Fund Committee and Local Pension Board. In addition the team takes the lead in the development of strategic policies relating to the operation, governance and management of the Fund and monitors compliance with prevailing LGPS specific and overriding legislation. The team specialises in data quality, information governance and pension taxation.
- The Investments Team is responsible for liaison with the ACCESS asset pool and governance over the Fund's investments, including development of the Investment Strategy Statement, whether held directly or by the ACCESS pool, reporting to the Investment Sub-Committee and other Committees as required.
- The Fund Accounting Team provide the financial control function to the Fund. It manages and accounts for the receipt of contributions from employers, processes the Fund's financial transactions and oversees the production and audit of the Annual Report and Statement of Accounts.

The structure of LGSS Pensions, which provides administration services to both the Cambridgeshire Pension Fund and the Northamptonshire Pension Fund, as at 31 March 2020 is illustrated below:



## Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To 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.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.
- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To 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.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

## Business as usual

The appendix to the business plan highlights the key priorities for the next three years and focuses on areas of change and projects which are in addition to day to day “business as usual” duties. On a day to day basis the focus is on the following key elements of fund management:

- Paying pension benefits to beneficiaries as prescribed by the LGPS Regulations.
- Communicating with scheme members about their membership of the Fund.
- Ensuring all pension contributions that are paid by active members are received as prescribed by the LGPS.
- Ensuring all employers pay their pension contributions.
- Safeguarding the money in the Fund (the Fund’s assets).
- Investing any Fund assets that are in excess of those needed to pay immediate benefits.
- Working with the Scheme Actuary to ensure that the amount employers pay into the Fund is sufficient to pay future pension benefits.

Managing this on a day to day basis involves a wide range of processes and procedures designed around achieving the Fund’s objectives. The Fund is large, complex and highly regulated. As such these processes and procedures require expert knowledge and experience as illustrated below.

### Governance

- Setting the agenda, reporting and presenting to the Pension Fund Committee, Investment Sub-Committee and Local Pension Board.
- Implementing and monitoring areas such as the training, risk management, reporting breaches of the law and compliance with the Pensions Regulator’s code of practice.
- Ensuring adherence to the administering authority’s and legal requirements for procurement and data protection.
- Procurement of advisers and other services.
- Assisting internal and external auditors in their role.
- Responding to freedom of information requests.
- Participation in the Joint Committee of the ACCESS pool.

### Accountancy

- Preparing and publishing the Fund’s annual report.
- Completing the annual accounts and assisting with external auditors.
- Preparing the annual budget and monitoring quarterly.
- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Quarterly cash flow and treasury management.
- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

### Funding

- Agreeing the funding strategy with the Scheme Actuary every three years, consulting with employers and monitoring continued appropriateness annually.

- Managing the triennial valuation alongside the Scheme Actuary, providing membership and cash flow data and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.

## Investments

- Carrying out a fundamental review of the investment strategy every three years.
- Appointing, monitoring and dismissing fund managers including within the pooling environment.
- Monitoring and reporting on the Fund's funding position and implementation of the funding risk management strategy with annual health checks.
- Monthly monitoring and implementation of the tactical asset allocation decisions.
- Working with other LGPS funds within ACCESS to pool investments through the Joint Committee and the Officer Working Group.

## Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change status.
- Calculating and notifying scheme members of their entitlement to pension and death benefits.
- Providing quotations of retirement benefits including any additional costs to scheme employers.
- Providing information on how scheme members can increase their pension benefits.
- Maintaining scheme member records.
- Providing an online scheme member and scheme employer self-service facility.
- Administering the internal dispute resolution procedure.

## Payroll

- Calculating and paying monthly pensions to pensioners and beneficiaries.
- Issuing of payslips at appropriate times.
- Issuing P60s.
- Investigating returned payments and dealing with any under or overpayment of pensions.
- Updating and maintaining accuracy of pensioner member details.

## Communication

- Providing annual benefit statements to all active and deferred scheme members.
- Providing information to members via one to one sessions, workshops and newsletters.
- Maintaining the Fund's website.
- Providing new scheme employers with information about their responsibilities.
- Providing ongoing training and technical updates to employers.

## Technical

- Maintaining and updating the pensions administration system.
- Ensuring presence, accuracy and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.

- Reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for the Government's Actuary Department and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

## **The plan for the next three years**

### **Key challenges and influences**

The current environment is such that there are an unprecedented volume of external factors that could impact the management of the Fund:

- The impact of the Coronavirus pandemic on the management, investments and administration of the Fund.
- The increased oversight by the Pensions Regulator and the issuance of the new singular code of practice where compliance must be achieved within 12 months.
- New and amending regulations affecting the Local Government Pension Scheme including the £95k exit cap, the remedy resulting from the McCloud high court ruling and the paused national LGPS cost control review.
- The requirement to rectify member contracted out data held by the Scheme with that held by HMRC following delays in HMRC issuing the final data.
- The increasing number of scheme members affected by the government's pensions tax regime and reducing allowances on pension savings.
- The ongoing implementation of the government's requirements to pool LGPS pension fund assets with other Funds.
- Maintaining the skills and knowledge of officers, Committee and Board members to comply with the requirements of MIFIDII, CIPFA's new skills and knowledge framework and new statutory guidance stemming from the Scheme Advisory Board's Good Governance Review.
- The increasing number of scheme employers due to alternative provision models within the local government universe.
- Finding innovative and digital ways of working for the benefit of the Fund, the member and the scheme employer to achieve the Fund's strategies on administration, communication and employer engagement.
- The increasing scrutiny and transparency on data quality.
- To stay ahead of the increasingly sophisticated challenges presented by cyber-crime.
- Evidencing savings and improved investment governance arising from asset pooling.
- The move to a lead authority shared service model.
- The risk of members being exposed to potential scams and the increasing requirements of the Fund to provide protection against this.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into five sections:

- Service delivery
- Governance and compliance
- Communications, systems and employer management
- Operations
- Investments

### **Budget**

All the costs associated with the management of the Fund are charged to the Fund and not Cambridgeshire County Council. The following shows the expected income and expenditure (cash flow) of the Fund as well as the anticipated operating costs.



## Cash flow projection 2019/20 to 2022/23

The following tables provide estimates of the Fund account, investment and administration income and expenditure for the next three years.

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Contributions <sup>1</sup>	131,000	126,471	130,000	132,000	134,000
Transfers in from other pension funds <sup>2</sup>	4,200	6,704	5,200	5,200	5,200
<b>TOTAL INCOME</b>	<b>135,200</b>	<b>133,175</b>	<b>135,200</b>	<b>137,200</b>	<b>139,200</b>
Benefits payable	(105,000)	(107,863)	(114,000)	(119,000)	(124,000)
Payments to and on account of leavers <sup>2</sup>	(9,100)	(10,119)	(10,200)	(10,200)	(10,200)
<b>TOTAL PAYMENTS</b>	<b>(114,100)</b>	<b>(117,982)</b>	<b>(124,200)</b>	<b>(129,200)</b>	<b>(134,200)</b>
	<b>21,000</b>	<b>15,193</b>	<b>11,000</b>	<b>8,000</b>	<b>5,000</b>
Management expenses	(10,040)	(8,164)	(5,147)	(3,959)	(3,959)
<b>TOTAL INCOME LESS EXPENDITURE</b>	<b>11,060</b>	<b>7,029</b>	<b>5,853</b>	<b>4,041</b>	<b>1,041</b>
Investment income	36,000	34,447	40,000	41,000	42,000
Taxes on income	-	(2)	-	-	-
Profit and (losses) on disposal of investments and changes in the market value of investments <sup>3</sup>	84,000	(208,571)	69,000	69,000	69,000
<b>NET RETURN ON INVESTMENTS</b>	<b>120,000</b>	<b>(174,126)</b>	<b>109,000</b>	<b>110,000</b>	<b>111,000</b>
<b>Net increase/(decrease) in net assets available for benefits during the year</b>	<b>131,060</b>	<b>(167,097)</b>	<b>114,845</b>	<b>114,041</b>	<b>112,041</b>

Notes:<sup>1</sup>Contributions and benefits are based upon underlying trends in membership and contribution rates, pensions in payment and expected increases.

<sup>2</sup>Future estimated transfers in and out have been based upon the average of individual transfers in and out of the scheme over the period 201/18 to 2019/20.

<sup>3</sup>Return on Investments have been calculated by applying the assumption of 2% investment growth.

## Management expenses

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total administration expenses	(2,930)	(3,415)	(2,642)	(2,285)	(2,285)
Total governance expenses	(550)	(916)	(784)	(784)	(784)
Total investment expenses <sup>4</sup>	(6,560)	(3,833)	(1,721)	(890)	(890)
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>(10,040)</b>	<b>(8,164)</b>	<b>(5,147)</b>	<b>(3,959)</b>	<b>(3,959)</b>

Notes:<sup>4</sup>Investment expenses are mainly driven by (invoiced) fees paid to managers and are based upon the actuary's assumption of asset growth for the coming year. They do not include investment management fees paid in pooled funds, including the ACCESS pool.

## Administration expenses

	<b>2019/20 Estimate</b>	<b>2019/20 Forecast</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Staff related	(1,400)	(1,385)	(1,423)	(1,423)	(1,423)
Altair administration and payroll system	(310)	(325)	(336)	(336)	(336)
Data improvement projects <sup>5</sup>	(440)	(427)	(311)	-	-
Communications	(30)	(18)	(71)	(25)	(25)
Other non pay and income	(120)	(595)	(16)	(16)	(16)
County Council overhead recovery	(630)	(665)	(485)	(485)	(485)
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>(2,930)</b>	<b>(3,415)</b>	<b>(2,642)</b>	<b>(2,285)</b>	<b>(2,285)</b>

Notes:<sup>5</sup>Data Improvement Projects include several initiatives to improve data and include GMP rectification costs, Address Tracing and Mortality screening and outsourcing the processing of existing backlogs.

## Delivering the business plan

### Monitoring and reporting

In order to identify whether the agreed business plan is being met progress on the key priorities and budgets will be monitored by the Fund management team and reported to the Pension Fund Committee and Local Pension Board at every meeting.

The updates will:

- Highlight any areas where the target is exceeded or where the target has not been achieved and the reasons why and identify any changes in response to the planned priorities as a result of this.
- Highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

### Risk Management

The Cambridgeshire Pension Fund has embedded risk management into the governance of the Fund. The Pension Fund Committee has approved a Risk Strategy and a detailed Risk Register is maintained and reviewed by the Local Pension Board at every meeting. Changes to the level of risk are reported to the Pension Fund Committee at every other meeting, or more frequently if necessary.

To follow are the Fund's current highest rated risks. The full risk register can be found on the LGSS Pensions website at the following link:

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

<b>Risk</b>	<b>Residual risk rating</b>
Employers are unable to pay increased contribution rates.	Amber
Failure to respond to changes in economic conditions.	Amber
As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Amber
Contributions to the Fund are not received on the correct dates and/or for the correct amount.	Amber
Fund assets are not sufficient to meet obligations and liabilities.	Amber

## Appendix 1 – Business Plan 2020/21 to 2022/23 – REVISED for JUNE Pension Committee meeting

### Service delivery

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

### SD1 – Undertake a review of the Business Continuity Plan

The Business Continuity Plan covering the Fund's governance and administration is now due for a full review. This review will help ensure appropriate arrangements are being put in place to facilitate the seamless transition of shared service administration from Northamptonshire County Council to one of the two new Northamptonshire Unitary authorities and incorporate any learning points from the Coronavirus pandemic.

Timescale	Key Milestone	Dates
	Investigate current business continuity arrangements with key partners	June to July 2020
	Update Business Continuity Plan	August 2020
	Scrutiny of Business Continuity arrangements by Local Pension Board	October 2020
	Update Pension Fund Committee on Business Continuity arrangements	December 2020

**Budget required:** All costs will be met by the existing administration budget

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

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

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Obtain specialist advice in connection with cyber-crime	July 2020
	Investigate current security and other measures designed to mitigate cyber-crime	July to September 2020
	Develop action plan	October to January 2021
	Implement action plan	From February 2021

**Budget required:** The cost of obtaining specialist advice, from one of our existing suppliers, will be agreed between the Head of Pensions and Chairman of the Pension Fund Committee and reported to the Pension Fund Committee via the Business Plan update.

## **SD3 - Retender/extend contract for actuarial, benefits and governance consultancy services**

The existing contracts for actuarial, benefits and governance consultancy services are due to expire on 1 April 2022 with the option of a 2 year extension. The Fund will need to consider whether the contracts should be extended for a further 2 years or if it is appropriate to conduct a procurement on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Decision over whether to procure or extend	June 2021

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

#### SD4 – Extension of existing pensions administration and payroll software contract

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

Procurement of a pensions administration and payroll software supplier under the framework would involve a competitive process and would need to be in place 6 months to a year before the start of the new contract. This is due to the amount of preparatory work that would be required to transition to a new provider (if required) which would entail the re-engineering of every casework procedure and associated workflow process. This transition period is complicated by the requirement to transition the pensioner payroll as well as the pensions administration system.

Critically, it is noted that this transition would clash with the commencement of the new unitary authorities in Northamptonshire, which is expected to absorb the resources of various colleagues required for this project, including pensions, payroll, business systems, IT and programme support. Furthermore, the Coronavirus pandemic has diverted resources from being able to initiate work on developing Further Competition documentation following the launch of the framework in April 2020, which in itself was launched later than initially expected.

For these reasons this activity is to take up the available extension within the existing Aquila Heywood contract and then undertake a competitive process in advance of the end of the extended contract, 30 September 2024.

Timescale	Key Milestone	Dates
	Extend existing Aquila Heywood Ltd contract	June to August 2020
	Undertake competitive procurement process using the National LGPS Framework	April 2023 to September 2023
	Project to transition to new supplier (if new supplier successful)	October 2023 to September 2024

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National LGPS Frameworks is utilised.

### **SD5 - Re-tender/extend contract for mortality screening and address tracing services**

The existing contract for mortality screening and address tracing services is due to expire in June 2021 with the option of a 2 year extension. The Fund will need to consider whether the contracts should be extended for a further 2 years or if it is appropriate to conduct a procurement on a joint basis with the Northamptonshire Pension Fund using the National LGPS Framework.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Decision over whether to procure or extend	December 2020

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National Frameworks are utilised.

## Governance and Compliance

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

### GC1 - Complete the Guaranteed Minimum Pension rectification

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

Timescale	Key Milestone	Dates (earliest estimated)
	Receipt of final data file from HMRC	June 2020
	ITM Limited to supply data on which member records require rectification	September 2020
	Produce project plan to rectify records	October 2020
	Implement project plan	November 2020 to December 2021

**Budget required:** Estimated additional project management costs of £1,750 charged by ITM Limited as a result of the delayed HMRC file have been added to the administration budget for 2020/21. Should the final file of data not be received by 31 October 2020 it will be necessary to purchase an additional year's license from the Fund's pensions administration and payroll platform provider to automatically upload data to members records which is estimated to be approximately £17,500.



## GC2 - Obtain Pensions Administration Standards Association (PASA) accreditation

Obtaining the PASA accreditation will demonstrate to stakeholders that the Fund has in place quality operations, where the performance and capabilities of the administration and governance functions are in line with those of higher quality organisations providing pensions' administration services. Once achieved the accreditation is granted for a three year period subject to an annual certification process.

Timescale	Key Milestone	Dates
	Commence preparation and collation of assessment material	April 2022
	Provide information to PASA for assessment	March 2023
	Hold site visit and receive assessment results	2023/24

**Budget required:** Anticipated accreditation costs of £6K will be met by an addition to the administration and governance budget.

## GC3 - Conduct market testing and procure a supplier of independent data auditing services

The Pensions Regulator issues an annual mandatory scheme return within which the Fund's common and scheme-specific data scores must be included. The Fund is in its final year of a 3 year contract with ITM Limited for the provision of this service with no option to extend. In order to achieve value for money for the most appropriate service it will be necessary to conduct market testing which will in turn to inform the necessary procurement route on a joint basis with Northamptonshire Pension Fund.

Timescale	Key Milestone	Dates
	Conduct soft market testing	January 2021
	Begin procurement process	March 2021
	Contract to commence	1 August 2021

**Budget required:** All internal costs in the procurement process will be met by the existing administration and governance budgets. External costs are immaterial if the National LGPS Frameworks are utilised.

## Communications, Systems and Employer Management

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

### CSEM1 – Undertake a digital strategy review

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

Some activities have already been identified and will start to be implemented in the current year. These included completion of the implementation of monthly data provision by scheme employers, ensuring the Fund's website is compliant with Central Government accessibility requirements by October 2020 and moving to digital communications as standard when communicating with scheme members.

Timescale	Key Milestone	Dates
	Complete roll out of monthly employer data collection	2020/21
	Investigate potential for procuring customer relationship management software	October 2020
	Undertake website accessibility review	April to October 2020
	Formulate digital processing plan	June to December 2020
	Investigate the feasibility of using e-forms	April to December 2020

**Budget required:** All internal costs will be met by the existing administration budget. Anticipated costs of £10,000 for the website accessibility review will be met by an addition to the administration budget for 2020/21.

Anticipated costs of £36,000 for moving to digital communications as standard will be met by an addition to the Communications budget for 2020/21. This should produce small savings per annum by reducing printing and postage costs, but will enable the Fund to issue more targeted communications than it would otherwise be able to do so.

Other costs are anticipated throughout the project and these will be assessed and reported as part of the digital review and development plan.

## **CSEM2 - Scope requirements for data collection in respect of the LGPS Transitional Protections**

As a result of the ruling in the McCloud/Sargent cases determining that the transitional protections in the Firefighters and Judges' pension schemes were age discriminatory, it was confirmed that this judgement will also apply to the LGPS. The remedy is awaited but it is assumed that the protections will be extended to at least cover all members in the scheme when the protections were introduced. As a result, there may be an exercise required to collect data relevant to the transitional protection.

Employers are only required to keep membership data for 7 years, it is therefore important that this issue is raised with employers to ensure that the required data is retained beyond that period. This activity relates to assessing the Fund's data requirements and developing a plan for completion. This could be a very extensive process and the Fund may or may not be able to determine which members this information is needed for.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Develop requirements and plan for data collection activities	October 2020 to March 2021

**Budget required:** No costs at this time. Any costs will be identified as part of the scoping activity.

## **CSEM3 – Prepare for the 2022 Valuation of the Pension Fund**

The Fund must be valued on a triennial basis with employer contribution rates set for the following 3 years. The next valuation is due to be carried out as at 31 March 2022 with whole Fund results to be issued in the summer of 2020 and individual employer results in the winter of 2022. New employer rates would come into effect from 1 April 2023.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Develop requirements and plan for data collection activities	2021/22
	Undertake valuation of Fund	2022/23

**Budget required:** The cost of completing the 2022 valuation will be provided in the business plan at that time.

## CSEM4 – Implement multiple investment strategies

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

Timescale	Key Milestone	Dates
	Work with the Fund’s advisors to assess possible appropriate options	June to September 2020
	Present report to the Pension Fund Committee on recommended options and seek approval to consult with employers	October 2020
	Publish proposed options for consultation with employers	November to December 2020
	Agree appropriate strategy for each employer	January to March 2021
	Implement multiple investment strategies	2021/22

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

## Operations

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

### OPS1 – Resolution of unprocessed leaver records

The Fund has a number of unprocessed leaver records where a member has left a period of pensionable employment, is not entitled to immediate payment of pension benefits, but is entitled to either a refund of contributions, aggregation with another period of pensionable membership and/or a deferred pension award. The number of these cases has historically grown primarily due to 1) scheme employers not notifying the Fund that members of the scheme have left their employment or 2) scheme employers providing late monthly reporting.

The roll out of i-Connect is expected to significantly reduce instances of scheme employers failing to report leavers, but does increase, due to the technical design, the number of cases that may initially report as an unprocessed leaver. The volume of backlog cases, after allowing for an expected business as usual (BAU) baseline of 3,000, peaked at approximately 8,082 following the running of a backlog of i-Connect interfaces at the end of 2019-20 (the backlog peaked due to a change in ERP system at a major payroll provider).

As at April 2020 the number of unprocessed leavers had reduced from 11,082 to 9,636 inclusive of BAU volumes. The target for 2020-21 is to reduce the number of unprocessed leavers to approximately 5,000 cases by the end of the year and then down to BAU volumes during 2021-22. In order to assist with this activity Officers have agreed with the Chairman and Vice-Chairman for Aon to undertake a second phase of casework processing a further 1,000 cases – this needed to be agreed in April 2020 in order for Aon staff to be able to transition from phase one to phase two activity. Approximately 300 phase one cases remain outstanding but Aon are awaiting scheme employer responses in order to process.

This activity is particularly sensitive to any resourcing pressures as a result of the Coronavirus pandemic.

Timescale	Key Milestone	Dates
	Baseline backlog cases for reporting purposes	Completed - April 2020
	Aon clearance of approximately 1,300 cases (remaining phase one plus phase two cases)	By March 2021
	Internal clearance of cases to reduce volumes to 5,000 cases	By March 2021
	Internal clearance of cases to reduce volumes to circa 3,000 (including contingency for any not processed in 2020-21)	2021/22

**Budget required:** All internal costs will be met by the existing administration budget. Anticipated external costs of £300k (the majority of which is fixed cost) will be met by an addition to the administration budget for 2020/21.

## **OPS2 - Scope and conduct potential liability reduction exercises**

The Fund has an increasing number of records belonging to members that are due a refund of pension contributions (due to having insufficient membership within the LGPS to be awarded a pension entitlement and with the member not having claimed a refund) and also a large number of pensions in payment of a very low value that could be fully commuted into a one-off payment, extinguishing the Fund from any future liability.

It has become increasingly common for pension schemes to look at ways of reducing the number of such records particularly when the annual cost of the pensions administration and payroll platform is calculated in the number of records held. In particular, the Government Actuary Department (GAD) have recently produced statistics on the number of unclaimed refunds which suggests that there will be pressure to reduce the number of these cases in the very near future. As such the Fund should look at communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

<b>Timescale</b>	<b>Key Milestone</b>	<b>Dates</b>
	Scope exercise (refunds)	May 2020
	Formulate project plan (refunds)	June 2020
	Conduct exercise (refunds)	Thru to end of 2021/2022
	Scope exercise, formulate project plan and conduct exercise (small commutable pensions)	2022/23

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

## Investments

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
INV1	Implement strategic allocation to Fixed Income	✓	✓	✓	✓	✓	
INV2	Re-tender for investment consultancy services			✓	✓	✓	
INV3	Continue development of the asset pool	✓	✓	✓	✓	✓	✓
INV4	Tender for an independent investment adviser	✓	✓				
INV5	Review the Fund's Responsible Investment Policy	✓	✓	✓	✓	✓	
INV6	Review the Real Estate strategy				✓	✓	
INV7	Re-tender collaboratively with ACCESS partners to procure a global custody services provider	✓	✓	✓	✓	✓	

### INV1 - Implement strategic allocation to Fixed Income

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

Timescale	Key Milestone	Dates
	Agree scope and allocation(s)	July to September 2020
	Undertake manager selection	November 2020 to February 2021
	Implementation	March 2021 to June 2021.

**Budget required:** All internal costs will be met by existing resources and are included within the Fund's budget. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund. Any further financial implications will be included in Pension Fund Committee reports as required.

## INV2 – Re-tender for investment consultancy services

The investment consultancy contract with Mercer LLC was extended in September 2017 for three years to 30 September 2020 and requires re-tendering in 2020/21 through the National LGPS Frameworks. However due to the impact of the Coronavirus pandemic on the ability to undertake a procurement process at this time, officers have sought a further extension to the current contract, which remains pending at this time. The key milestone show alternative dates dependent upon the duration of extension the Fund can achieve. This will be a joint procurement with the Northamptonshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

Timescale	Key Milestone	Dates
	Commence re-tender process	October 2020/April 2021.
	Arrange selection day	January 2021/June2021.
	Complete procurement	March 2021/September 2021.

**Budget required:** All internal costs will be met by existing resources, other costs such as the fee for the use of the National LGPS Framework, procurement support and external legal support are estimated as £20k and have been provided for within the 2020/21 budget.

## INV3 – Continue development of the asset pool

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

Please note due to Coronavirus pandemic the pace of development has been impacted, therefore variable dates for completion have been shown.

Timescale	Key Milestone	Dates
	Liquid Assets - Complete remaining tranches as they arise	June 2021
	Liquid Assets - Support the establishment of an Emerging Markets equities sub-fund	March 2021.
	Illiquid Assets – Continue to support the illiquid assets pooling solution	2020/21 to 2021/22

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. A budget of £98k has been included in the 2020/21 Fund budget to cover ACCESS asset pooling costs rechargeable to the Fund, managed by the ACCESS Administration Support Unit. Investment management and Operator/Depository fees are included in the sub-fund costs charged to the relevant ACCESS sub-fund.



#### INV4 – Tender for an independent investment advisor

In September 2019 the Investment Sub-Committee resolved to procure an independent investment advisor for the Fund. The procurement commenced in quarter 4 of 2019/20, however due to COVID19 the award of contract date remains uncertain until face-to-face interviews can be undertaken.

Timescale	Key Milestone	Dates
	Launch Tender	June 2020
	Complete tender	September 2020.

**Budget required:** All internal costs will be met by existing resources and the estimated cost of service provision are included within the 2020/21 budget. Legal costs and procurement costs are estimated as £10k have been provided for within the 2020/21 budget

## INV5 – Review the Fund’s Responsible Investment Policy.

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

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

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

Timescale	Key Milestone	Dates
	Production of ESG and carbon foot-printing benchmarking report.	May 2020
	Deliver Responsible Investment Training (Information Day)	July 2020
	Undertake Responsible Investment beliefs survey	July 2020
	Develop Responsible Investment Policy	August 2020 to December 2020
	Incorporate Responsible Investment Policy into Investment Strategy	March 2021
	Consultation on revised Investment Strategy	April 2021 to June 2021

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

## INV6 – Review the Real Estate Strategy

The Fund's Real Estate investments comprise a multi manager mandate managed by Schroders and a Residential Private Rented Sector Fund managed by M & G, which mainly comprise UK based assets. A periodic review of these mandates will be undertaken, considering the underlying investment funds and their performance with a focus on the appropriateness of the allocations both geographically and by sector and the relevance of the performance benchmarks and targets. This review will include consideration of possible enhancements to the property strategy, especially considering the expected benefits falling out of the pooling agenda.

Timescale	Key Milestone	Dates
	Commence the review	February 2021
	Complete the review and submit report to the Investment Sub Committee	September 2021

**Budget required:** All internal costs will be met by existing resources and are included within the 2020/21 budget. Any further financial implications will be included in Pension Fund Committee reports as required.

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

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

Timescale	Key Milestone	Dates
	Work with other LGPS funds to create a framework	April 2020 to January 2021
	Work with ACCESS partners to call off a common custodian	December 2020 to June 2021
	Complete transition to the new Custodian (if required)	July 2021 to September 2021

**Budget required:** All internal costs will be met by existing resources and are included within the Fund's budget. The costs to be a founder on the framework (which is dependent on the number of founders) will be offset over time by other users calling off the framework. Any central ACCESS costs will be included in the ACCESS budget. Any further financial implications will be included in Pension Fund Committee reports as required.



# Cambridgeshire Pension Fund



## Pension Fund Board

3<sup>rd</sup> July 2020

**Report by:** Head of Pensions

<b>Subject:</b>	<b>GOVERNANCE AND ADMINISTRATION RISK MANAGEMENT IN LIGHT OF THE CORONAVIRUS PANDEMIC</b>
<b>Purpose of the Report</b>	1) To provide an update on the measures in place to ensure the continued governance and administration operations of the Cambridgeshire Pension Fund  2) To present the risk log for the Coronavirus pandemic
<b>Recommendations</b>	<b>That the Pension Fund Board notes the content of the report.</b>
<b>Enquiries to:</b>	Jo Walton – Governance and Regulations Manager, LGSS Pensions E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The global Coronavirus pandemic poses a number of risks on the regular activities of the Cambridgeshire Pension Fund.
- 1.2 This report provides an update on the measures that have been put in place to continue the Fund's operations as well as a risk log which identifies specific risks created by these unusual circumstances and how they are being managed.

## 2. Business Continuity

- 2.1 This section of the report details the changes that have been put in place to ensure that the regular governance and administrative activities of the Fund have been able to continue since mid-March.

## 2.2 Staffing

- 2.2.1 The vast majority of officers are working from home with only one officer attending the office on a regular basis to manage the incoming post and to print documents that need to be sent to members. The number of available work stations in One Angel Square has been reduced to ensure social distancing guidelines are met.
- 2.2.2 All staff have equipment they need to be able to work safely from home, some of which has been loaned by Northamptonshire County Council such as office chairs, monitors and desktop computers. All systems can be accessed securely. Staff are being supported to work flexibly to assist them with any caring responsibilities.

- 2.2.3 There has been very limited staff absence during this time and since mid-April no member of staff has needed to self-isolate due to coronavirus symptoms or from coming into contact with, or living with someone who has had symptom or a positive diagnosis.
- 2.2.4 Given that there is yet no clear indication of how long staff will be required to work from home and in recognition that this a challenging and worrying time in many different ways all staff are also being provided with a wealth of health and wellbeing information from Northamptonshire County Council. Team managers are regularly checking in with their team members to offer any support that may be required.

## **2.3 Pension Fund operational priorities**

- 2.3.1 On 2 April 2020, the Pensions Regulator (TPR) issued guidance on the priorities that pension funds are advised to have at this current time which are as follows:
- Paying members' benefits
  - Retirement processing
  - Bereavement services, as well as any administrative functions required to support these
  - Any processes needed to ensure benefits are accurate
- 2.3.2 These priorities reflect the existing operational priorities of the Fund so there has been no requirement to reallocate or train additional staff to undertake this work. Staff have also been able to maintain the amount of throughput to ensure that the targets of the key performance indicators continue to be met, despite the challenges presented by working from home, such as the increased reliance on home broadband connections and childcare responsibilities.
- 2.3.3 Staff have also been reminded of the increased risk of cyber-crime at this time and the need to be vigilant to protect the Fund's data and the administering authority's IT network.

## **2.4 Communication with scheme employers and scheme members**

- 2.4.1 Frequently asked questions have been produced for both scheme employers and scheme employers in conjunction with the Local Government Association. The Frequently Asked Questions (FAQs) are available on the LGSS Pensions website and contain important information on matters like the government's job retention scheme and emergency volunteering leave and the impact on the accrual of scheme benefits.

## **3. Risk Management**

### **3.1 Risk Register and Risk Log**

- 3.1.1 The Fund's risk register is subject to quarterly reviews by officers and the Local Pension Board. The risk register has been most recently reviewed by officers and can be found in appendix 1. The risk register has been designed and agreed to be a high level document to capture the Fund's risks without requiring continual change.
- 3.1.2 The risk entitled 'Failure to respond to changes in economic conditions' (risk number two on the register) now has had additional control to recognise the challenges presented by the Coronavirus pandemic which are to increase the engagement with investment managers and increased monitoring of asset movements.

- 3.1.3 The pandemic has however, resulted in certain elements and controls of existing risks on the risk register to require closer attention at this time. Instead of changing the high level risk ratings of the high level risks a separate risk log specific to the Coronavirus pandemic has been created.
- 3.1.4 The log identifies the very specific risks that were expected at the beginning of the pandemic but with the likelihood and impact ratings as they stand now with the benefit of being several months further down the line.
- 3.1.5 The risk log can be found in appendix 2.

#### 4. Relevant Pension Fund Objectives

To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. <i>Objective 1</i>
To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
To ensure that the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>

#### 5. Risk Management

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

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

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

#### 6. Finance and Resources Implications

- 6.1 The financial and resource implications are identified in the Risk Register and Risk Log that can be found in appendix 1 and 2 respectively.

#### 7. Communication Implications

- 7.1 Communication implications associated with this report have been identified in the Risk Register and Risk Log in appendix 1 and 2 respectively.

**8. Legal Implications**

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

**9. Consultation with Key Advisers**

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

**10. Alternative Options Considered**

10.1 There are no alternative options to be considered.

**11. Background Papers**

11.1 None.

**12. Appendices**

12.1 Appendix 1 – Cambridgeshire Pension Fund Risk Register

12.2 Appendix 2 – Cambridgeshire Pension Fund Coronavirus Pandemic Risk Log

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 22 <sup>nd</sup> June 20



## Appendix 1 Cambridgeshire Pension Fund Risk Register

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

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

<b>E</b>	Employer Services and Systems Manager
<b>F</b>	Fund Accounting Manager
<b>G</b>	Governance and Regulations Manager
<b>I</b>	Investment Manager
<b>O</b>	Operations Manager
<b>ALL</b>	All Manager Responsibility

Overall responsibility rests with the Head of Pensions

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

**Likelihood of risk occurring**

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

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

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

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

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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
17.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> <li>Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making.</li> <li>Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer</li> <li>Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.</li> </ul>	2	2	4	G
18.	Pension Fund Investments may not be accurately valued	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements.</li> <li>The year-end financial statements record the Funds asset position and is subject to robust review by external audit.</li> <li>Officers work closely with the Funds Custodian to ensure accuracy of asset valuations.</li> </ul>	2	2	4	G
19.	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> <li>Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate.</li> <li>Early engagement with employers.</li> <li>The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment.</li> <li>Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee.</li> </ul>	2	2	4	G
20.	Failure to act appropriately upon expert advice and/or risk of poor advice	4	2	8	A	<ul style="list-style-type: none"> <li>Pension Committee decisions and oversight by the Local Pension Board.</li> <li>Investment consultants and independent advisors appointed via a robust appointment process.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> </ul>	2	2	4	G



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
21.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	3	3	9	A	<ul style="list-style-type: none"> <li>Assessment of the strength of individual employer covenants in conjunction with the actuary and what bond/guarantor arrangements are in place</li> <li>Close liaison with Employers in managing exit strategy in line with the Admitted bodies, Scheme employers and Transfer Policy.</li> <li>Ensure individual employers are monitored closely to pre-empt when they are likely to cease and put in arrangements to fund cessation on an appropriate basis.</li> </ul>	2	2	4	G
22.	Unable to deliver pension services due to an inadequate business continuity plan	3	2	6	G	<ul style="list-style-type: none"> <li>Business continuity plan in place which includes the ability for staff to work remotely to meet the demands of the service.</li> <li>Multi skilling across the service for flexibility.</li> <li>Updated at least annually to ensure remains relevant and up to date.</li> <li>Part of the LGSS business continuity plan.</li> </ul>	2	2	4	G
23.	Unable to deliver pension services due to inadequate recruitment and retention processes.	3	2	6	G	<ul style="list-style-type: none"> <li>Establishment reporting undertaken monthly to identify any recruitment/retention issues</li> <li>Recruitment undertaken utilising all available avenues including agency staff</li> <li>Staff leaving interviewed to understand reason for cessation</li> <li>Regular performance reporting across all business processes serves as early warning system</li> <li>Consultancy contracts in place as a backstop</li> </ul>	2	2	4	G

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

## **Criteria for assessing impact and likelihood**

### **Impact**

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

**Likelihood**

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

Ref no.	Area	Description of risk	Risk Assessment			RAG	Actions taken or being taken	Current status	Mitigations / Comments
			Impact	Likelihood	Risk Level				
1	Staffing	Wellbeing issues (the virus itself, other sickness, mental health)	3	2	6	G	Wellbeing information made available by Northamptonshire County Council; social distancing being observed in the office; incidents of self-isolation, illness and recovery being monitored weekly.	Ongoing	Minimise the number of people working in the office. Line managers to regularly check in with team members. Wellbeing and safe working reminders.
2	Staffing	Resource issues (due to numbers of people too unwell to work)	4	2	8	A	Contingency plans being put in place to ensure cover for all key posts; priority work identified	Ongoing	Redeploy resource from other areas of the service and/or Northamptonshire County Council.
3	Homeworking	IT issues - minor (such as individual connection, password reset issues)	1	5	5	G	All staff tested ability to work from home prior to lockdown. New issues to be reported to line manager or IT immediately.	Done	Extra support from IT. Allow people to be flexible and work around issue. Staff to work in the office providing social distancing can be observed.
4	Homeworking	IT issues - major (such as network failure, broadband capacity issues)	4	2	8	A	IT network being monitored by Northamptonshire County Council.	Ongoing	Extra support from IT. Direct staff to do other non IT based work - studying, training or take annual leave where priorities allow. Allow people to be flexible and work around issue.
5	Service delivery	Changes to and issues with incoming and outgoing post.	2	2	4	G	Being monitored by Northamptonshire County Council. All post held securely in OAS post room until collected by designated officer.	Ongoing	Members informed of potential delays receiving and sending post (via website, voicemail and automatic email responses). Use of member self service to send documentation to registered scheme members. Continual promotion of member self service.
6	Service delivery	Problems with making payments (retirement and death grants, refunds, transfers, pensioner payroll, BACS, CHAPS, Northern Trust)	4	2	8	A	Existing payment procedures being monitored with suppliers/providers of those services.	Ongoing	Suppliers/providers of services business continuity plans.
7	Service delivery	Complaints from members regarding delayed response times	1	1	1	G	Information on website, voicemail and automatic replies to emails.	Ongoing	Member self service available for members to run estimates of benefits payable.
8	Service delivery	Increases in number of retirement, redundancy and death workloads	2	2	4	G	Workloads prioritised; team analysis skills check carried out; staff resilience plan for key roles being put in place; workloads being monitored	Ongoing	Inform members of potential delays. Redeploy resource from other areas of the service and/or Northamptonshire County Council.
9	Service delivery	Inability to print from the office due to inability to access office or lack of resource	2	3	6	G	One staff member printing when attends office to deal with post. Use of member self service for registered members to receive correspondence.	Ongoing	Inform members of potential delays. Redeploy resource from other areas of the service and/or Northamptonshire County Council. Further promotion of member self service.
10	Scheme Employers	Employers failing to make contribution payments	2	3	6	G	Established monitoring procedures in place. Riskier employers have been contacted to discuss their current situation and re-profiling of contribution payments, within the year, where appropriate.	Ongoing	
11	Scheme Employers	Employers failing to make contribution payments on time	1	3	3	G	Established monitoring procedures in place but with faster intervention when a late payment is received to discuss whether the late payment is linked to the pandemic.	Ongoing	
12	Scheme Employers	Employers unsure of what procedures to follow in relation to specific Coronavirus related issues	2	3	6	G	FAQs developed and communicated to employers and available on the LGSS Pensions website, existing designated email address for employer queries	Ongoing	Webinars or online meetings to provide further clarification if needed
13	Data security	Increased risk of cyber-crime	3	4	12	A	Mandatory online training to increase knowledge of cyber-crime	Ongoing	Regular reminders to staff to increase vigilance. Organisation wide cyber-crime messaging via Daily Briefings.
14	Data security	Increased number of data breaches (due to newness of working from home, changes to procedures, changes to work asked to do and so on) or delays in reporting	5	2	10	A	Mandatory online training to increase knowledge of how to avoid a data breach	Ongoing	Regular reminders issued to staff.
15	Suppliers	Advisers and consultants to the Fund or other internal departments relied upon have limited staff resulting in low service	3	2	6	G	Lines of communication being kept open with regular updates; assurance documents received being kept, business continuity plans	Ongoing	Consider alternative suppliers where issues are urgent.
16	Accountancy	Liquidity issues/ensuring cash flow	5	2	10	A	More regular monitoring of cash flows. Earlier planning of cash calls.	Ongoing	
17	Accountancy	External Parties not available to provide Closedown information to complete the Statement of Accounts	3	2	6	G	Regular contact with all parties involved to mitigate any possible delays.	Ongoing	Gathering of information nearly complete
18	Accountancy	Authorisers for payments are not available resulting in payments not being made to pensioners, members or suppliers	4	1	4	G	Ensuring resilience in arrangements through technology and additional cover	Ongoing	The Administering Authority's business continuity plans.
19	Accountancy	Lack of monitoring of income collection	3	2	6	G	Established monitoring procedures in place	Ongoing	
20	Accountancy	Employers not available to confirm data queries for production of FRS IAS19 statements	3	2	6	G	FRS control monitoring updated to send automatic chasers when information is missing within the process.	Ongoing	
21	Accountancy	LGSS Debt team not currently chasing any debt resulting in increased number of payments not meeting agreed payment terms.	2	2	4	G	Monthly aged debt reports obtained to see where the debt is held. Crossing checking of bank statements for payments and advise debt and income where payments are, if made.	Ongoing	Value of debt is not high in relation to materiality.
22	Legal	Inability to execute documents causes failure of contractual arrangements to reflect risks arising from crisis	2	2	4	G	Ensuring resilience in arrangements through technology and additional cover Director has secured seal and maintaining availability For Pension matters	Ongoing	Overall level of activity is likely to be reduced due to social distancing measures
23	Investments	Failure to maintain future returns	5	1	5	G	Investment managers are under more regular monitoring with direct discussions to understand impact of pandemic on short, medium and long-term returns.	Ongoing	Investment managers are set a benchmark and appraised over the long-term. The Fund is a long-term investor.
24	Investments	Executing decisions - enabling decision making and sign off of decisions	4	1	4	G	Review of signatory lists	Done	Signatory lists have enough number of available signatories to minimise risk
25	Investments	Pending investments - failure to (re)consider new investments	2	1	2	G	Officers working with advisors in background regarding future activity	Ongoing	Committee meetings moved to virtual
26	Investments	Business continuity arrangements of Link, ACCESS ASU, Northern Trust and investment managers	5	2	10	A	Monitoring third party providers including via ACCESS	Ongoing	Discussed via regular conference calls with third parties.
27	Investments	Property and Alternative - Income and capital values impacted by Coronavirus	4	3	12	A	Work with investment managers to understand impacts including delayed reporting due to illiquid nature of assets	Ongoing	Closer cash flow modelling. More regular monitoring and discussions with managers. Build in predicted outcomes into our modelling and reporting. Diversification across regions, sectors, asset classes reduces COVID impact
28	Investments	Equity protection - Markets fall in value to such an extent that equity protection arrangements are exhausted	3	2	6	G	Equity protection arrangements reviewed regularly with supplier and advisors and new structures considered. Ability to change contracts if financially advantageous albeit governance overhead.	Ongoing	New arrangements of the current scale could be implemented through existing delegations. Arrangements of greater scale would require a new Committee decision. Protection is currently across only part of the Fund and therefore fund level impact is muted.



<b>CAMBRIDGESHIRE PENSION FUND BOARD AGENDA PLAN</b>		<b>Agenda Item: 11</b>
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Please note this has not currently been updated to take account of the current co-vid 19 lock down and will need to be reviewed further by the officers for practicality purposes.

<b>Meeting date</b>	<b>Agenda item</b>	<b>Lead officer</b>	<b>Deadline for draft reports</b>	<b>Pension Fund Committee approval date (where applicable)</b>
<b>2/10/2020</b>	Minutes 03/07/20 and Action Log	R Sanderson		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Asset Pooling [standing item]	P Tysoe		
	Terms of Reference review [approval]	M Oakensen		
	Pension Committee Minutes 23/7/20	R Sanderson		
<b>22/1/2021</b>	Minutes 2/10/2020 and Action Log	Democratic Services		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Employers Admissions and Cessations Report [standing item]	C Blose		
	Pension Committee Minutes 8/10/2020 & 3/12/2020	Democratic Services		

