PENSION FUND COMMITTEE

Date:Thursday, 24 March 2016

Democratic and Members' Services
Quentin Baker
LGSS Director: Law, Property and Governance

10:00hr

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Kreis Viersen Room
Shire Hall
Cambridge
CB3 0AP

AGENDA

Open to Public and Press

1.	**Apologies and Declarations of Interest** *Guidance for Councillors on declaring interests is available at http://tinyurl.com/ccc-dec-of-interests*	
2.	**Minutes and Action Log of the Pension Fund Committee 17 December 2015**	**5 - 16**
3.	**Pension Committee Representation**	**17 - 20**
	Appointment of Substitute Scheme Member Representative The Committee is advised that UNISON Eastern Region have nominated Elizabeth Brennan, an Active Scheme Member, to fill the substitute representative vacancy. The Committee is asked to approve this appointment.	
4.	**Government's Investment Reform Agenda**	**21 - 70**

5.	**Pension Fund Annual Business Plan Update report 2015-16**	**71 - 90**
6.	**Pension Fund Annual Business Plan and Medium Term Strategy 2016-17 to 2018-19**	**91 - 120**
7.	**Employer Admissions and Cessations Report**	**121 - 128**
8.	**Governance and Legislation Report**	**129 - 138**
9.	**Pension Overpayment Report**	**139 - 142**
10.	**Cambridgeshire Pension Fund Risk Strategy 2016**	**143 - 160**
11.	**Internal Audit Update and Plan 2016-17**	**161 - 168**
12.	**Results of the Pensions Regulator's survey of public service governance and administration**	**169 - 186**
13.	**Review of the effectiveness of the Pension Committee and Investment Sub-Committee**	**187 - 198**

The Pension Fund Committee comprises the following members:

Councillor Steve Count (Chairman) Councillor Roger Hickford (Vice-Chairman) Councillor Peter Ashcroft Councillor Noel Kavanagh Councillor Maurice Leeke and Councillor Julie Wisson

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

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MINUTES OF THE PENSION COMMITTEE

Date: Thursday 17th December 2015

Time: 10:00–11.50am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Committee Members present: Councillors P Ashcroft, S Count (Chairman), A Fraser, R Hickford (Vice Chairman), N Kavanagh, M Leeke; M Pink (of UNISON representing active LGPS members) and J Walker (of UNISON representing deferred and retired LGPS members)

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

Apologies: Councillors Seaton and Wisson; G Deeble

36. DECLARATIONS OF INTEREST

John Walker declared a personal interest as a retired member of the LGPS and that his son and daughter-in-law were deferred members.

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

37. MINUTES OF THE PENSION FUND COMMITTEE 22ND OCTOBER AND ACTION LOG

The minutes of the Pension Fund Committee meeting held on 22nd October 2015 were approved as a correct record. The Action Log of the meeting was noted.

Arising from the Action Log, it was noted that all actions from the July and September meetings had been completed.

It was resolved to:

(1) approve the minutes of the Pension Fund Committee meeting held 22nd October 2015;
(2) note the Action Log of the Pension Fund Committee meeting held 22nd October 2015.

PUBLIC QUESTION

A Member of the public, Sheena Mooney, asked a public question. The required notice had been given. The text of the question was as follows:

"I am a retired member of the Cambridgeshire Pension Fund and would like to ask the following question:

To what extent has the Cambridgeshire Pension Fund assessed the risk to its portfolio posed by climate change? The Bank of England governor Mark Carney, who is also chair of the G20 financial stability board, has identified three types of potential risk arising from climate change. These are:

- physical risks, for example to assets from extreme weather events linked to climate change
- liability risks resulting from those harmed by climate change seeking compensation from those they hold responsible, with carbon extractors, and their insurers, potentially being hit the hardest
- transition risks, which are the risks resulting from the transition to a low carbon economy, driven by policy or technology change, and resulting in the reassessment of asset value. (ref: Paris agreement)

Major investors across the world are starting to consider and respond to these risks. Notably the Dutch Pension Fund PFZW, the two biggest public pension funds in California and Germany's Allianz SE, one of the world's largest financial asset managers, have supported divestment, with, in the first instance, commitments to divest from coal.

Please could the committee comment on the extent of the risk assessment done to date in relation to these three types of climate risk and the pension fund's investment, and what further risk assessment is planned?

For reference, I used this Mark Carney speech as the source for the three types of climate risk:
http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx"

The Chairman asked officers to respond to the question (see attached summary at **Appendix 1**). Officers also advised that the Fund's Investment Consultant, Mercers, had also advised against divestment, stressing that divestment could give rise to a breach of fiduciary duty.

In response to a Member question, Ms Mooney advised that her information on major pension funds in other countries came from Mark Carney's September speech. Ms Mooney commented that there was considerable focus on divestment these days, not just from major pension funds but also faith groups, universities etc.

The Chairman thanked Ms Mooney for her question and for attending the meeting, and it was agreed that both Ms Mooney and Committee Members would receive a written copy of the response given.

38. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2015-16

Jo Walton presented the second Business Plan update for the 2015-16 financial year.

Members noted the following points:

- the section on late payments and payment schedules by employers;
- actual administration and investment costs against the proposed forecast in the Annual Business Plan, showing the breakdown of expenses in each area. There was a variance of £55,000 due to staff vacancies;
- for the quarter 01/08/15-31/10/15, most Pension Service Key Performance Indicator (KPI) targets were either met or exceeded, with the exception of (i) providing estimates of benefits to employees, (ii) providing transfer quote to Members within 10 days and (iii) Employers submitting all new starters in a timely and accurate manner.

With regard to point (iii) above, Members noted the actions being undertaken to improve the percentage of new starters being submitted on time. Currently one large payroll provider was responsible for a lot of the shortfall, and this was mainly due to problems receiving the information. Further improvements were anticipated.

It was resolved to:

1. Note the Pension Fund Business Plan third update for the 2015-16 financial year.

39. GOVERNANCE AND LEGISLATION REPORT

The Committee received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis.

The following points were noted:

- KPMG had presented their findings on the different options for separation of the host authority (administering authority) from the Pension Fund;

- The recruitment for the remaining two vacancies on the Local Pension Board was completed in October 2015, with David Brooks as an employee representative and Ian Dewar appointed as employer representative;

- The DCLG Statistical Release provided interested information on the 81 Administering Authorities in England, giving details on changes in income and expenditure;

- The announcement in October that the Consumer Price Index (CPI) had a negative value (-0.1%) had potential implications for pensions accrued post 1.4.2015 – so far it had not been confirmed whether there would need to be a negative revaluation percentage applied to pension, which would clearly be undesirable and difficult to administer. It was hoped that it would be treated as a 'no increase' rather than a decrease;

- The government planned to proceed with the introduction of a public sector exit payment cap of £95K, although not all employers in LGPS would be affected. This would probably not become effective until July 2016;

- There would be a valuation training day, all day, on 3rd February at Girton College.

It was resolved to:

Note the content of the report.

40. EMPLOYERS ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of one scheduled body and two cessations from the Fund.

It was noted that one of the cessations, Cheveley Parish Council, was somewhat unusual in that the last active member had chosen to transfer their pension benefits to their new employer, therefore there were no active, deferred or pension members, and all contribution payments were correct and up to date.

It was resolved to:

1) note the admission of the following admission body to the Cambridgeshire Pension Fund:
   - Action for Children (London Road)

2) note the cessation of the following bodies:
   - ABM Catering (Jeavons Wood)
   - Cheveley Parish Council

41. OVERPAYMENTS REPORT

The Pension Fund Committee considered a report on overpayments that had occurred, which included an analysis of action taken.

During the period from 1st August to 31st October 2015, a total of 40 individuals had been overpaid. Two cases were due to a delay in applying the correct Guaranteed Minimum Pension figures to the pensioner payroll records, and the total value of £55.42 was subsequently recovered through the payroll. £6,059.44 was due to scheme members dying and receiving overpayments, although £2,563.86 was written off due to the individuals' overpayments being less than £250. Invoices had been raised for the six cases pending recovery.

Members discussed the write off limit of £250, noting that this had been agreed earlier in the year when the Committee had considered the policy, and was an average of the limits applied by peer authorities.

It was resolved to:

Note the content of the report.

42. CIPFA PENSIONS ADMINISTRATION BENCHMARKING CLUB 2015

Members received a report on the results of the Pensions Administration CIPFA Benchmarking Club for 2015. It was noted that the Cambridgeshire Pension Fund had participated in the Benchmarking Club, which compared the performance of 45 authorities, for many years. It was noted that whilst useful, the results from the CIPFA Benchmarking Club were not a robust enough resource to be used in any analysis of the costs of running LGPS Pension Funds, as the questions could be ambiguous and the information provided was not always interpreted in the same way.

The net administration cost for Cambridgeshire was £19.44, just above the Club average of £19.17. This was primarily due to a higher than average Payroll cost (£4.25 per Cambridgeshire Member compared to a £1.85 Club average). The recent decision to move the *Oracle* to *Altair* payroll system should reduce this. In addition, the figure put forward for Actuaries was overstated.

It was noted that a high proportion of staff held no relevant qualification, but that the number of staff in training for a qualification was above the average.

In response to a question on the high numbers of deferred members, and whether this was due to outsourcing, officers advised that this was more likely to be related to the various employers in the Fund and their staff retention and redundancy rates; outsourcing required pension protection, so should not really impact on deferred membership. It was confirmed that deferred members were contacted before pensions

became payable. Officers agreed to provide the Committee with information on how many deferred pensioners they had lost contact with. **ACTION: Mark Whitby.**

Members discussed the support available for staff training for professional qualifications, and the type of qualifications taken. Members were reassured by the numbers of staff undertaking appropriate training and qualifications and the support available to them.

A Member queried the low number of Cambridgeshire elected Members who were members of the scheme. It was suggested that this may be because the scheme was no longer open to elected Members.

A Member queried the large number of leavers unprocessed, compared to other authorities. Officers explained that this related to the Cambridgeshire and Northamptonshire teams transitioning into a single team, with a high vacancy rate. It was expected that this figure would improve next year.

Members were pleased to note the low sickness absence rates compared to peers, both short term and long term.

It was resolved to:

1) Note the report and the results of the 2015 Benchmarking Club.

43. PAYMENT OF EMPLOYEE AND EMPLOYER CONTRIBUTIONS POLICY

The Committee received a report on the draft Payment of Employee and Employer Pension Contributions policy.

The Policy set out a process that should be enforced by officers in order to seek resolution in cases of late payments, and ensure that future payments were made on time. Provision was made for both persistent late payers, and inconsistent/erratic payers. Members were asked if they considered the policy and fines appropriate. Members welcomed the policy, providing a robust or consistent approach to dealing with late payments. It was agreed that references to the “Chairman and Vice-Chairman” should be changed to “Chairman”, as in the absence of the Chairman, the Vice-Chairman would be consulted.

In response to a Member question, it was confirmed that any employee excluded as a result of the policy would not have a detrimental impact on the scheme members for that employer i.e. members would not be penalised because of the inefficiencies of actual scheme administrators.

It was resolved to approve the Payment of Employee and Employer Pension Contributions Policy provided in the appendix to the report.

44. EXCLUSION OF PRESS AND PUBLIC

It was resolved:

That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business (item 10) on the grounds it contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information which is likely to reveal information relating to the financial or business affairs of any particular person) and that it would not be in the public interest for this information to be disclosed.

APPENDIX 1

Cambridgeshire Pension Fund. [The Fund]

1. The Pension Fund Committee is aware of the recent dialogue on the investment implications of climate change and carbon emission management.

2. As a long term investor charged with looking to the interests of beneficiaries over many decades into the future, we recognise climate change amongst the key risk factors for our pension fund investments.

3. The Fund's policy on Responsible Investment is set out in the Statement of Investment Principles which can be found on the Fund's website.

4. The policy includes the following statements:-

   1) *"The Fund recognises that effective management of ESG issues can enhance long-term financial performance of investments, and therefore ESG factors should be a feature of investment analysis and management. This aligns with the best interests of the Fund's beneficiaries and is consistent with fiduciary duty."*

   2) *"The Fund adopts the view that it should seek out investment opportunities on the basis that they meet the needs of its long-term investment strategy and the nature of its liabilities."*

   3) *"In line with this policy and the Fund's commitments to responsible investment, the Fund recognises that it must do this whilst considering ESG issues whenever they are relevant."*

   4) *"The Fund has adopted a policy of engagement rather than exclusion."*

5. The Fund is working with the LGPS National Frameworks to implement a framework to provide external consultancy to assist LGPS funds in monitoring ESG issues and risks.

6. The Fund is stepping up its scrutiny of Environmental, Social and Governance risks and recently joined the Local Authority Pension Fund Forum ("LAPFF") to strengthen engagement. LAPFF represents a current membership of 66 local authority pension funds in particular Environmental, Social and Governance issues.

7. The Fund has not specifically addressed the three types of risk identified by Mark Carney, however is engaging through LAPFF to better understand the issues to develop an informed and balanced approach.

8. The Fund supports the work of LAPFF to promote a strategy of pushing for an "orderly transition" requiring companies to identify and tackle carbon risks in their business models.

9. The Government proposals for the aggregation of LGPS funds' investments into larger asset pools, will facilitate the opportunity for more focused, dedicated resources to assess ESG risks to the fund's investments.

The Local Authority Pension Fund Forum. [LAPFF]

10. LAPFF believes that active engagement with company management as representatives of asset owners is more effective than adopting a policy of disinvesting from companies.

11. Members of the Pension Committee recently attended the annual conference of LAPFF and received presentations on carbon transition management from executives of:

- Carbon Tracker Initiative, an independent think tank which provides in-depth analysis on the impact of climate change on capital markets and investments in fossil fuels;

- Energy Strategy & Government Affairs, Siemens plc, who described the progress towards renewable energy targets for the UK electricity generation industry;

- The Environment Agency Pension Fund, who have been a leader in pension fund responsible investment;

- Greater Manchester Pension Fund, who have identified investible opportunities in renewable energy.

11.1 The consistent messages were, continue to engage as shareholders and adopt a patience persistent but long term approach to effective engagement.

12. LAPFF has encouraged companies to adopt and implement effective environmental management policies through proactive engagement with company management on a one-to-one basis and posing questions to company boards at Annual General Meetings. Examples of successes have been:

- Engagement with BG as long ago as 2008 resulted in setting a carbon emissions reduction target.

- Filing resolutions which were carried by support of over 98% of shareholders at both BP and Shell Annual General Meetings requesting that the companies assess their asset portfolios for resilience against a number of International Energy Agency (IEA) scenarios including remaining within two degree temperature increase limits.

13. LAPFF members echo the views expressed by the public services union, UNISON:

- “The first duty of the LGPS is to pay the staff their pension benefits when they retire”;

- “Divesting in carbon assets without having found renewable investment returns would create huge economic uncertainty”; and

- “It would be irresponsible to begin any programme of divestment in fossil fuels that threatened in any way the ability of the funds to pay people’s pensions.”

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Agenda Item: 2

Action log from previous meeting

This log captures the actions from the Pension Fund Committee of the 17 December 2015 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 6 January 2016.

Outstanding actions from 22 October 2015 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
33	LGSS Pensions Payroll Provision	Mark Whitby	Following discussion, it was agreed that the issue of licences should be investigated further to establish if the costs were accurate. As Members were keen not to delay processes, it was agreed that the Head of Pensions would consult with the Chairman on reasons for the difference between licensing costs, and the Chairman would in turn email the Committee	Completed – Mark provided Councillor Count with details of licensing costs and the report recommendation has subsequently been approved.

Actions from the 17 December 2015 meeting of the Pensions Committee

Item No.	Item	Action to be taken by	Issue/Action	Action/Status
42	CIPFA Pensions Administration Benchmarking Club 2015	Mark Whitby	In response to a question on the high numbers of deferred members, and whether this was due to outsourcing, officers advised that this was more likely to be related to the various employers in the Fund and their staff retention and redundancy rates; outsourcing required pension protection, so should not really impact on deferred membership. It was confirmed that deferred members were contacted before pensions became payable. Officers agreed to provide the Committee with information on how many deferred pensioners they had lost contact with.	Completed – There are 4,174 deferred members where no address details are held on the Pensions Altair System. A tracing service is used prior to when retirement benefits are payable in full as a matter of course, this is standard practice across Local Government Pension Schemes.

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Pension Committee Representation**
Purpose of the Report	**To temporarily appoint the current substitute member to the 'all other employers' representative vacancy on the Pension Committee pending completion of the 2016 Actuarial Valuation.**
Recommendations	**That the Pension Committee approves the temporary appointment of the 'all other employers representative' to the Cambridgeshire Pension Committee.**
Enquiries to:	**Jo Walton – LGSS Pensions Governance and Regulations Manager** **Tel – 01604 367030** **E-mail – jwalton@northamptonshire.gov.uk**

1. Background

1.1 The Pension Committee consists of eleven representatives that represent the interests of the Cambridgeshire County Council Local Government Pension Scheme's range of employers as well as scheme members.

1.2 The representation is as detailed below:

- 6 Cambridgeshire County Council Elected Member representatives
- 2 all other local authority, police and fire representatives
- 1 all other employers representative
- 1 active scheme member representative
- 1 deferred and retired scheme member representative

2. Vacancy of 'all other employers' representative

2.1 Following the resignation of Tim Woods on 31 October 2015, the Cambridgeshire Pension Fund holds a vacancy for the position of 'all other employers' representative' on the Pension Committee.

2.2 Gareth Deeble is currently the substitute for the 'all other employer' representative position. However the substitute can only fully participate on the Pension Committee when the substantive role is occupied but the member is unable to attend.

2.3 A full recruitment exercise needs to be undertaken in order to appoint a permanent replacement. The constitution states that nominations need to be determined by eligible 'all other scheme employers' and the process will need to be agreed by the Chairman.

2.4 Due to the time required to run the recruitment process and the knowledge and skills required to support the Fund through valuation year, it would be prudent to temporarily appoint Gareth Deeble to the substantive role until 31 March 2017. This will allow time for a substantive representative to be elected and be in a position to assume the role of 'all other employers' representative with effect from 1 April 2017.

3. Recommendation

3.1 The Pension Committee are asked to approve the temporary appointment of Gareth Deeble to the role of 'All Other Employers Representative' until 31 March 2017 during which time LGSS Pensions Officers will conduct a formal recruitment exercise to appoint a substantive individual to this vacancy.

4. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

5. Finance & Resources Implications

5.1 There are no financial or resource implications as a result of approving the recommendation.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated in undertaking this proposal as utilising the skills of the substitute member will ensure the interests of the 'all other employers' in the scheme are represented during the period of the 2016 actuarial valuation and whilst a substantive representative is elected.	N/A	N/A

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

Risk	Risk Rating
By not undertaking the proposal employers in the Scheme whom fall under the category of 'all other employers' will have no representation at meetings of the Pension Committee.	Amber

7. Communication Implications

7.1 There are no communication implications as a result of approving the recommendation.

8. Legal Implications

8.1 Not applicable

9. Consultation with Key Advisers

9.1 Democratic Services were consulted in forming the recommendation in this report.

10. Alternative Options Considered

10.1 To leave the position vacant and not attempt to fill on a temporary basis, this would lead to no representation for the March 2016 and possibly subsequent meetings until a replacement is found.

11. Background Papers

11.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	Not applicable
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 22/2/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Government's Investment Reform Agenda**
Purpose of the Report	**To provide an update on the progress of the ACCESS pool in meeting the Government's investment reform agenda and to deal with a number of associated governance and funding matters**
Recommendations	**1. That the Committee notes the update on the ACCESS pooling project** **2. That the Committee delegate the power of final approval of the July submission to the Chairman in consultation with the Head of Pensions (7.1)** **3. That the Committee approves the initiation of a Task and Finish Group to enable the views of the Committee to be fed into the ACCESS project (7.3)** **4. That the Committee seeks the approval of Full Council over the recommendation that the Cambridgeshire Pension Fund pools with ACCESS (8.3)** **5. That the Committee approves the budget of £60k to deliver the July pooling submission to Government (9.2)**
Enquiries to:	**Mark Whitby – Head Pensions, LGSS** **Tel: 01604 368502** **E-mail: mwhitby@northamptonshire.gov.uk**

1. Summary of report

1.1 This report provides an update to the Pension Committee on the ACCESS asset pooling project.

1.2 The report also deals with associated governance and funding matters that will enable the Cambridgeshire Pension Fund to meet the July Government submission deadline for joint and individual pooling proposals.

2. Background

2.1 In the July 2015 Budget, the Chancellor announced the Government's intention to work with the Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

2.2 Authorities were invited to submit proposals for pooling which the Government will assess against the published criteria. The Chancellor has announced that the pools should take the form of up to 6 funds, each with assets of at least £25bn.

3. Proposal to pool with ACCESS Group

3.1 At the meeting of the Pension Fund Committee on 17 December 2015, a presentation was delivered on the work undertaken by officers of the Cambridgeshire Pension Fund towards forming the ACCESS pool with other like-minded LGPS funds.

3.2 Authority was sought from the Pension Fund Committee that participation in the ACCESS pool was the most appropriate course of action for the Cambridgeshire Pension Fund and would meet the requirements as laid out by Government.

3.3 At the December Pension Fund Committee meeting unanimous support was obtained to proceed with participation in the ACCESS pool.

4. February 2016 submission to Government

4.1 Authorities were requested by Government to submit their initial asset pooling proposals by 19 February 2016, including their commitment to pooling and a description of their progress to date.

4.2 A joint submission to Government was submitted by Suffolk County Council on behalf of the ACCESS pool by the 19 February 2016 deadline. This submission is attached at Appendix A and was signed by the Chairman of each Pension Fund in the ACCESS pool. At this point the ACCESS pool consisted of 10 Funds with combined assets of approximately £30bn (as at 31 March 2015).

4.3 The February submission included an appended Memorandum of Understanding, also included in Appendix A.

4.4 Shortly after the February submission, the Pension Committee of Hertfordshire County Council confirmed their recommendation to join the ACCESS pool, subject to final approval by Full Council. This brings the pool to £33.5bn in combined assets as set out in the table below:

	Authority £m
Cambridgeshire County Council	2,268
East Sussex County Council	2,740
Essex County Council	4,906
Hampshire County Council	5,111
Isle of Wight Council	483
Kent County Council	4,515
Norfolk County Council	2,930
Northamptonshire County Council	1,850
Suffolk County Council	2,193
West Sussex County Council	2,964
Hertfordshire County Council	3,560
	33,520

5. July 2016 submission to Government

5.1 By 15 July 2016 refined and completed submissions must be delivered to Government that fully address the detailed asset pooling criteria set out in DCLG's "Local Government Pension Scheme: Investment Reform Criteria and Guidance" of November 2015.

5.2 At this second stage submissions should comprise both a joint proposal from the ACCESS pool setting out the pooling arrangements in detail as well as an individual Fund submission to include costs and savings, transition arrangements and rationale for any assets to be held outside the pool.

5.3 Appendix B sets out the criteria and sub-criteria to be included in the July submission. The main criteria to be addressed are:

- Asset pool(s) that achieve the benefit of scale
- Strong governance and decision and making
- Reduced costs and excellent value for money
- An improved capacity to invest in infrastructure

6. Progress to date

6.1 Pension Funds in the ACCESS pool participated in the collective analysis of asset pooling options co-ordinated by Hymans Robertson under the guise of Project POOL. Project POOL ran from August 2015 and reported in late January 2016. LGSS Officers participated in this project and the work has helped inform the current project, in line with the evidence based approach underlying the ACCESS pool.

6.2 An Officer Working Group has been formed with representatives from each Fund which is responsible for the overall delivery of the various components of the July submission.

6.3 The ACCESS pool has agreed to use Hymans Robertson to fulfil a temporary project management function in order to assist administering authorities in delivering the required joint and, where possible, individual submissions by the July 2016 deadline. Hymans Robertson was chosen as a result of their independence to the Funds, as well as their recent work on Project POOL. A procurement exercise will be undertaken should external services in this area be required beyond the July submission.

6.4 Work streams have been created to deliver the content required for each of the criteria and associated sub criteria mentioned at 5.3. The work streams are formed of Officers from the Funds within the ACCESS pool, each with a designated work stream lead. LGSS Officers are at present involved in all of the work streams with the exception of infrastructure work stream. Each work stream will report into the Officer Working Group.

6.5 An outline project plan to deliver the July submission has been drafted and was included with the February submission (Appendix A). More detailed project planning is being undertaken to finalise the project plans for each work stream including critical paths and dependencies. This project planning is identifying all of the key decision points throughout the project.

6.6 A series of meetings have been set up for the Chairman/Vice-Chairman of each Pension Fund within the ACCESS pool. The initial meetings have been scheduled for 29 March 2016, 22 April 2016 and 23 May 2016 and the Chairman and Vice-Chairman of each Fund have been invited to attend. Further meetings will be diarised in due course.

6.7 A Memorandum of Understanding has been drafted setting out a variety of matters in connection with this project, including the principles of collaboration, roles and responsibilities and expected behaviours.

6.8 Legal advice has been sought from Eversheds and Squire Patton Boggs on the legal structures under which administering authorities could work collectively to pool investments. These structures are:

- A Collective Investment Vehicle (CIV) primarily through an Authorised Contractual Scheme (ACS) whereby ownership of the assets is transferred to the ACS (or other vehicle). The authorities may directly own the ACS or rent a platform from an existing CIV operator.

- A Collective Asset Pool (CAP) that enables founding Administering Authorities to collectively manage their investments without establishing a CIV or using an ACS, but pooling and unitising investments appropriately and investments remaining in the beneficial ownership of the participating authorities.

6.9 A series of Information Days for work stream participants have been arranged for mid to late March 2016 to help inform the work of the project. The ACCESS pool has asked a variety of attendees to these days, including legal experts, ACS Operators and practitioners from other pools.

6.10 Intra-pool conference calls and meetings have been arranged in order to understand progress within other pools, learn from the experiences of others, share costs where common advice is sought (such as the legal advice at 6.8), and where appropriate, enable the local government universe to speak with a strong, collective voice.

7. Governance and decision making

7.1 A draft of the July submissions (joint and individual) will be brought to the 23 June 2016 Pension Fund Committee meeting for approval. Due to the extremely tight timescales involved in this project it is possible that further iterations of the submissions will be required after this date. As a result it is recommended that the Committee delegate the power of final approval of the July submissions to the Chairman in consultation with the Head of Pensions, with the caveat that if there are any major revisions after this Committee date updated version will be circulated to all members of the Pension Fund Committee for further feedback.

7.2 It is envisaged that the Chairman/Vice-Chairman meetings outlined at 6.5 will enable the Chairman, Vice-Chairman or other representatives of the Funds to make key decisions in connection with the July submission on behalf of the ACCESS pool and therefore effectively steer the content of the submission.

7.3 It is vital that Committee members are engaged in this project during this critical period and able to collectively have a voice in the shape of the ACCESS pool. It is therefore recommended that a Task and Finish Group is set up to meet in between each Chairman/Vice-Chairman meeting. Each Task and Finish Group meeting would discuss all pertinent matters at that time and would be able to feedback to the ACCESS pool via the representative attending the Chairman/Vice-Chairman meeting and/or through Officers.

7.4 The Task and Finish Group would meet each month throughout the process of the formulation of the July submission and for such period required thereafter. Membership would consist of any member of the Pensions Fund Committee with the capacity to meet over this critical period.

8. Full Council approval

8.1 The Scheme of Delegation to the Pension Fund Committee understandably does not include any specific powers relating to decisions around asset pooling. However it does include a general power that could be said to include this:

- Authority to manage any other strategic or key matters pertaining to the Fund not specifically listed above.

8.2 In light of the unparalleled scope of the asset pooling project there is an emerging consensus amongst ACCESS members that it would be considered good governance to seek the approval of Full Council for the decision to pool with ACCESS.

8.3 Accordingly it is recommended to the Pension Fund Committee that a paper is presented to Full Council seeking approval of the proposal to pool with ACCESS.

9. Costs

9.1 The costs of the asset pooling project will be ultimately determined by the legal structure chosen by the ACCESS pool. Likewise, the savings profile is an output of the project itself and will be contingent on a variety of factors including the chosen path of transition.

9.2 However, at this stage there is a need to incur costs in order to progress the pooling project and deliver the July submission. As such, the Pensions Fund Committee is asked to approve expenditure of £60k in order to undertake the required project activity including that required to prepare the July submission. Cost estimates will be refined as we progress through the project and at all times collective bargaining will be undertaken where possible, reflecting the fact that similar advice is required from many of the formative pools. An analysis of estimated costs is as at Appendix C.

9.3 The estimated costs include those related to project management, consultancy support, CEM data analysis and legal advice in connection with structures. The estimate is the best available to the ACCESS pool at this time.

10. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

11. Finance & Resources Implications

11.1 Financial implications as per Section 9. Resourcing currently being undertaken in line with existing Pensions Service structure.

12. Risk Implications

a) Risk(s) associated with the proposal

None, as the recommendations relate to further governance over the existing decision to pool with ACCESS.

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

Risk	Risk Rating
There may be difficulty in reflecting the views of the Pension Fund Committee with regards to the joint ACCESS pool submission and the emerging pool structure	Amber

13. Communication Implications

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

14. Legal Implications

14.1 There are no legal implications associated with this proposal.

15. Consultation with Key Advisers

15.1 There was no consultation with key advisers as to the contents of this report.

16. Alternative Options Considered

16.1 Not applicable.

17. Background Papers

17.1 ACCESS joint pooling proposal (in response to the LGPS Investment Criteria and Guidance).

17.2 Local Government Pension Scheme: Investment Reform Criteria and Guidance

https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance

18. Appendices

18.1 Appendix A – ACCESS Group pooling proposal to DCLG (February submission)

18.2 Appendix B – ACCESS Pool – meeting the criteria for pooling

18.3 Appendix C – Analysis of project costs

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	Yes. Timetable TBC
Is this report proposing an amendment to the budget and/or policy framework?	Yes. Budget impact as per Section 9.
Has this report been cleared by Director of Finance/Section 151 Officer?	Yes
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/3/2016
Has the Chairman of the Pension Committee been consulted?	Yes
Has this report been cleared by Legal Services?	Yes

ACCESS
Effective • Collective • Investment

The submission from

ACCESS

(A Collaboration of Central, Eastern & Southern Shires)

in response to the

LGPS: Investment Reform Criteria and Guidance

On behalf of

Cambridgeshire County Council

East Sussex County Council

Essex County Council

Hampshire County Council

Isle of Wight Council

Kent County Council

Norfolk County Council

Northamptonshire County Council

Suffolk County Council

West Sussex County Council

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Appendix A	Memorandum of Understanding
Appendix B	Project Plan

Please note: if you have any questions regarding the content of this document please contact either Paul Finbow at paul.finbow@suffolk.gov.uk or Rachel Wood at rachel.wood@westsussex.gov.uk.

Introduction

The ACCESS pool takes this opportunity to present details of its plans and the progress it has made in meeting the Government's requirements as published in the Department for Communities and Local Government's *Local government pension scheme: investment reform criteria and guidance* documentation on 25th November 2015.

ACCESS (a collaboration of central, eastern and southern shires) has been formed in order to respond to the Government's investment reform criteria. The map below illustrates the confirmed participants in the ACCESS pool.

The participating authorities reflect a strong commitment to the project and share an approach to achieve common objectives. The ACCESS authorities have set out a clear set of guiding principles, which are summarised below:

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

The ACCESS authorities will create a pool with assets of circa.£30bn which exceeds the Government's criterion. Historically the authorities have taken a broadly similar approach to investing. For example:

- The average return for the authorities participating in the ACCESS pool exceeded the WM Local Authority Average over the medium term (five years).
- 75% of the pool assets are invested across 12 managers.
- 60% of the pool assets are invested in equities.
- 75% of the pool assets are actively managed.
- All funds have some exposure to passive investment.
- The published 2013 actuarial funding levels for ACCESS authorities show an average of 81%. This compares to a national mean average of 78% for all LGPS's in England and Wales.

These characteristics illustrate the very solid building blocks on which the pool will be formed. This foundation will assist the ACCESS authorities when working collaboratively during the formative stages of the asset pool. This includes the formulation of final detailed proposals in July 2016, through to the eventual transfer of liquid assets from 2018. This shared approach will stand the ACCESS pool in good stead over subsequent decades and enable participating authorities to execute their fiduciary responsibility to Local Government Pension Scheme (LGPS) stakeholders, as economically as possible whilst achieving optimum investment returns.

The potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise is already clear. Each authority is committed to working together to establish a viable pool and ensuring the permanency and stability of any proposed structure.

Attached are further details of our proposals and we would welcome engagement from Government Officers to discuss matters further.

Signed

Cambridgeshire County Council

East Sussex County Council

Essex County Council

Hampshire County Council

Isle of Wight Council

Kent County Council

Norfolk County Council

Northamptonshire County Council

Suffolk County Council

West Sussex County Council

Progress in meeting the pooling criteria

The Government's Investment Reform programme, and the creation of six asset pools, represents a significant project with considerable challenges in terms of size, technical and legal issues and agreeing a sustainable demographic governance model. It is important, therefore, that all aspects of the design and implementation are the outcome of collaborative informed and evidenced consideration by each authority participating in the pool.

The authorities participating in the ACCESS pool made a conscious decision to consider carefully the evidence on the most effective design of pools before detailed work on the ACCESS pool was undertaken. The proposal set out here has been heavily influenced by the work of "Project POOL", in which many of the ACCESS authorities participated. The ACCESS pool is now able to make further progress, confident that their proposal is on a sound basis.

Members of S101 Pension Committees, officers and other interested parties participating in ACCESS have engaged in this process and are committed to establishing a viable pool. All participating authorities have signed up to a Memorandum of Understanding (MoU) which underlines our commitment to investment pooling and the permanency of any proposed structure. It also sets out the basis for engagement, cost sharing and governance. The MoU has been appended to this submission.

ACCESS authorities have a clear project plan in place which sets out how each of the participating authorities will collaborate effectively to come to clear, objective, evidence based decisions. The authorities have commissioned Hymans Robertson to provide project support and have established an Officer Working Group to drive forward the business case for submission in July 2016, and the implementation that will follow. The project plan has been appended to this submission and shows how additional professional support will be sought when required. The participating authorities are comfortable with the progress made to date and are confident that the required work can be completed in advance of the July 2016 submission.

Finally, ACCESS authorities are establishing relationships with the wider LGPS community participating in other pooling groups, where possible, to ensure best practice, national coordination and optimal cost savings are achieved.

A: Asset pool(s) that achieve benefits of scale

The ACCESS group has created a pool with assets of almost £30bn.

The current pool size may increase in the near future as additional authorities consider their options.

The assets by authority at 31st March 2015 are set out below. No single authority dominates the pool, which helps ensure a more collaborative approach to governance.

Authority	£m	Allocation
Cambridgeshire County Council	2,268	7.6%
East Sussex County Council	2,740	9.1%
Essex County Council	4,906	16.4%
Hampshire County Council	5,111	17.1%
Isle of Wight Council	483	1.6%
Kent County Council	4,515	15.1%
Norfolk County Council	2,930	9.8%
Northamptonshire County Council	1,850	6.2%
Suffolk County Council	2,193	7.3%
West Sussex County Council	2,964	9.9%
Total	**29,959**	**100.0%**

Whilst the scale criterion has clearly been met it is important to note that there is a significant commonality in investments and associated suppliers:

- 75% of the assets are invested across 12 managers which will potentially allow 'early wins' in delivering cost optimisation for participants.
- There are 71 different managers used across the authorities which will also allow for rationalisation to be a targeted and managed process.

B: Strong Governance and Decision Making

The Government's criterion seeks to maintain democratic accountability within pooling arrangements and this is considered crucial to ensuring a successful pool.

ACCESS authorities have a clear set of objectives and principles, set out below, that will drive the decision making process over the next five months and allow participating authorities to help shape the design of the pool.

Objectives

1) Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
2) Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
3) Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the ACCESS authorities have established the following guiding principles

Principles

- The participating authorities will work collaboratively.
- Participating authorities will have an equitable voice in governance.
- Decision making will be objective and evidence based.
- The pool will use professional resources as appropriate.
- The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
- The pool will avoid unnecessary complexity.
- The pool will evolve its approach to meet changing needs and objectives.
- The pool will welcome innovation.
- The pool will be established and run economically, applying value for money considerations.
- The pool's costs will be shared equitably.
- The pool is committed to collaboration with other pools where there is potential to maximise benefits.

Work is underway to determine the governance structure for the ACCESS pool, the mechanisms by which each Administering Authority can hold the pools to account and the processes for making decisions.

The governance arrangements for the ACCESS pool will facilitate, in an economically efficient way, authorities' preferences on local decision making within the Government's framework for pools.

The project plan sets out key milestones for the governance work stream to ensure proposals are finalised by July 2016 and can be operational thereafter to support the transition of assets within the Government's timetable.

C: Reduced Costs and Excellent Value for Money

ACCESS authorities have initiated detailed work to accurately quantify the potential savings in investment fees, in the near term and over the next 15 years. These savings will be set out in the July 2016 submission.

ACCESS authorities believe it is critical that current costs and potential for savings are assessed professionally and using consistent methodology across all authorities and all pools, whilst always being mindful of the need to maximise investment return in each asset class. To this end the pool is proposing to use third party benchmarking expertise with experience of global market for pension funds.

The accounting year 2012-2013 will be used as the cost benchmark to take account of savings LGPS authorities have made since then.

ACCESS authorities endorse the estimated annual cost savings published by Project POOL indicating that circa £145-190m per annum could be saved across English and Welsh authorities via pooling arrangements, ten years after pooling has been implemented. This could increase to c£240-320m per annum if future asset growth of 5% per year for ten years is assumed.

As Project POOL noted, actual cost savings could be greater due to:

- competition when pools appoint external managers driving fees down
- additional savings on less visible layers of fees on alternative assets
- greater use of “in-house” management

This should mean that over the very long term, the costs of transition, and establishing and running the pool, will be recouped by savings and other benefits.

However, in the short term, the costs of implementing change are likely to exceed the savings.

Work to establish the savings for authorities participating in the ACCESS pool will begin very shortly as set out in the project plan. As part of its work over the next five months, ACCESS authorities will also assess the potential of its intended investment approach including the potential for active management to provide higher net returns. The work will also examine implementation costs and reporting proposals.

ACCESS authorities recognise the long term potential for cost savings from in house management, and are committed to considering how best to develop, or access, such capability over the longer term.

D: An Improved Capacity to Invest in Infrastructure

All of the ACCESS authorities invest in real estate assets (including industrial, healthcare, rental housing, retail, office units) and six of the ten authorities have some exposure to more specialist infrastructure (which fits with the Institute of Civil Engineers definition of networks for transport, energy generation and distribution, electronic communications, solid waste management, water distribution and waste water treatment etc).[1] The table below sets out the range of commitment and investment levels by the participating authorities.

	Real Estate	Specialist Infrastructure
Strategic Allocation	From 8% to 12%	From 1% to 6%
Current Investment Allocation/Value	From 5% to 12% £2,999m	From 0% to 3% £381m
Investment Type	Direct Multi-manager Pooled	Direct Fund of Funds

The differential between the strategic allocation and actual investment for specialist infrastructure demonstrates the significant challenge in finding investments which will yield returns large enough, and of appropriate profile, to justify their acquisition. ACCESS authorities are committed to investigating all options for providing the participating authorities with access to the most appropriate infrastructure investments to match their asset allocations, including, if appropriate, working with other LGPS authorities or pools nationally to create a vehicle which will help make appropriate infrastructure investments more accessible to the LGPS at a lower cost. To ensure success, such a vehicle should be designed to meet the specific needs of LGPS investors given the distinctive nature of LGPS pension liabilities and risk appetite. If the vehicle can deliver access to the appropriate type of infrastructure investment ACCESS authorities believe that in the long term there is potential for the ACCESS pool to achieve an asset allocation closer to larger global funds.

Planning to carry out this work has commenced and a fuller response will be provided in July.

[1] http://researchbriefings.files.parliament.uk/documents/SN06594/SN06594.pdf

Appendix A

Dated **2016**

CAMBRIDGESHIRE COUNTY COUNCIL

ESSEX COUNTY COUNCIL

EAST SUSSEX COUNTY COUNCIL

HAMPSHIRE COUNTY COUNCIL

ISLE OF WIGHT COUNCIL

KENT COUNTY COUNCIL

NORTHAMPTONSHIRE COUNTY COUNCIL

NORFOLK COUNTY COUNCIL

SUFFOLK COUNTY COUNCIL

and

WEST SUSSEX COUNTY COUNCIL

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ACCESS

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ACCESS Pool Memorandum of Understanding

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nplaw

Public Sector Legal Expertise

nplaw
Norfolk County Council
County Hall
Martineau Lane
Norwich
Norfolk
NR1 2DH
ref nplaw/35531

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THIS AGREEMENT IS MADE ON THE DAY OF 2016

BETWEEN

(1) **CAMBRIDGESHIRE COUNTY COUNCIL** of Shire Hall, Castle Street, Cambridge, CB3 0AJ ("**Cambridge**");

(2) **ESSEX COUNTY COUNCIL** of County Hall, Market Road, Chelmsford CM1 1QH ("**Essex**");

(3) **EAST SUSSEX COUNTY COUNCIL** of County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE ("**East Sussex**");

(4) **HAMPSHIRE COUNTY COUNCIL** of The Castle, Winchester, Hampshire SO23 8UJ ("**Hampshire**");

(5) **ISLE OF WIGHT COUNCIL** of County Hall, High St, Newport, Isle of Wight PO30 1UD ("**Isle of Wight**");

(6) **KENT COUNTY COUNCIL** of County Hall, Maidstone, ME14 1XQ ("**Kent**")

(7) **NORFOLK COUNTY COUNCIL** of County Hall, Martineau Lane, Norwich, NR1 2DH ("**Norfolk**");

(8) **NORTHAMPTONSHIRE COUNTY COUNCIL** of County Hall, Northampton NN1 1ED ("**Northants**")

(9) **SUFFOLK COUNTY COUNCIL** of Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 2BX ("**Suffolk**");

and

(10) **WEST SUSSEX COUNTY COUNCIL** of County Hall North, West Street, Chichester, West Sussex, PO19 1RG ("**West Sussex**")

together "**the Parties**" and each individually "**the Party**"

1. BACKGROUND

1.1 The Parties as respective administering authorities of the Local Government Pensions Scheme ("**LGPS**") Cambridgeshire Pension Fund, Essex Pension Fund, East Sussex Pension Fund, Hampshire Pension Fund, Kent Pension Fund, Northamptonshire Pension Fund, Norfolk Pension Fund, Isle of Wight Pension Fund, Suffolk Pension Fund and West Sussex County Council Pensions for the purposes of the project described in this agreement ("**the Project**") and collectively referred to as the "**ACCESS Pool**" wish to collaborate in order to:

1.1.1 respond to the Chancellor of Exchequer's Summer Budget of 2015 and fulfil their respective obligations

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arising pursuant to the Department for Communities and Local Government's *Local Government Pension Scheme: Investment Reform Criteria and Guidance of November 2015*;

1.1.2 demonstrate their respective commitments to LGPS Multi-asset Pools ("**MAPs**"); and

1.1.3 meet their requirement to submit detailed proposals to Government by 15th July 2016 deadline.

Accordingly the Parties have agreed to work together to achieve the mission statement set out in Appendix A ("**Mission Statement**") and wish to record the basis on which they will collaborate on the Project.

This Memorandum of Understanding ("**MoU**") sets out:

1.1.4 the objectives of the Project;

1.1.5 the principles of collaboration;

1.1.6 interworking arrangements between Parties' officers for the purpose of developing subject to their Elected Members' consideration and approval a substantive ACCESS Pool response to the Government consultation referred to in clause 1.1;

1.1.7 the initial governance structures the Parties will put in place; and

1.1.8 the respective roles and responsibilities the Parties will have during the Project to enable .

2. KEY OBJECTIVES FOR THE PROJECT

2.1 The Parties shall undertake the Project to achieve the Mission Statement in accordance with the principles set out in Appendix B to this MoU ("**Principles**").

3. PRINCIPLES OF COLLABORATION

3.1 The Parties agree to adopt the following behaviours when carrying out the Project ("**Behaviours**"):

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3.1.1 collaborate and co-operate. The Parties will establish and adhere to the governance structure set out in this MoU to ensure that activities are delivered and actions taken as required;

3.1.2 be accountable. The Parties will take on, manage and account to each other for performance of the respective roles and responsibilities set out in this MoU;

3.1.3 be open. The Parties will communicate openly about concerns, issues or opportunities relating to the Project;

3.1.4 learn, develop and seek to achieve full potential. The Parties will share information, experience, materials and skills to learn from each other and develop effective working practices, work collaboratively to identify solutions, eliminate duplication of effort, mitigate risk and reduce cost;

3.1.5 adopt a positive outlook. The Parties will behave in a positive, proactive manner;

3.1.6 adhere to statutory requirements and best practice. The Parties will comply with applicable laws and standards including EU procurement rules, data protection and freedom of information legislation;

3.1.7 act in a timely manner. The Parties will recognise the time-critical nature of the Project and respond accordingly to requests for support;

3.1.8 manage stakeholders effectively;

3.1.9 deploy appropriate resources. The Parties will ensure sufficient and appropriately qualified resources are available and authorised to fulfil the responsibilities set out in this MoU. In

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particular the parties agree to make the contributions detailed in Appendix C to this MoU; and

3.1.10 act in good faith to support achievement of the Mission Statement, adherence to the Principles and compliance with these Behaviours.

4. PROJECT GOVERNANCE

4.1 Overview

The governance structure defined below provides a structure for the development and delivery the Project.

4.2 Governance Aims

The following aims for the governance of the Project are agreed. The Project's governance will:

4.2.1 provide strategic oversight and direction;

4.2.2 be based on clearly defined roles and responsibilities at organisation, group and, where necessary, individual level;

4.2.3 align decision-making authority with the criticality of the decisions required;

4.2.4 be aligned with the Project (and may therefore require changes over time); and

4.2.5 provide coherent, timely and efficient decision-making.

4.3 Officer Working Group

4.3.1 The Officer Working Group consisting of the representatives of each of the Parties set out at clause 4.3.2 ("**the Officer Working Group**") will provide strategic and operational management of the Project. It will provide assurance to the Parties that the Mission Statement and Principles are being met.

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4.3.2 The Officer Working Group shall have responsibility for the creation and execution of the Project plan and deliverables, and therefore it can draw technical, commercial, legal and communications resources as appropriate into the Officer Working Group. Each Party shall have a representative on the Officer Working Group with sufficient authority for the Officer Working Group to discharge its responsibilities. The initial named members are:

Pension Fund	REPRESENTATIVE	EMAIL ADDRESS
CAMBRIDGESHIRE	Mark Whitby	MWhitby@northamptonshire.gov.uk
EAST SUSSEX	Ola Owolabi	Ola.Owolabi@eastsussex.gov.uk
ESSEX	Kevin McDonald	Kevin.McDonald@essex.gov.uk
HAMPSHIRE	Andrew Boutflower	andrew.boutflower@hants.gov.uk
ISLE OF WIGHT	Jo Thistlewood	Jo.Thistlewood@iow.gov.uk
KENT	Nick Vickers	nick.vickers@kent.gov.uk
NORFOLK	Nicola Mark	Nicola.Mark@norfolk.gov.uk
NORTHAMPTONSHIRE	Paul Tysoe	PHTysoe@northamptonshire.gov.uk
SUFFOLK	Paul Finbow	paul.finbow@suffolk.gov.uk
WEST SUSSEX	Rachel Wood	rachel.wood@westsussex.gov.uk

4.3.3 Each Party may substitute or replace its initial above named representative as required.

4.3.4 The Officer Working Group shall meet monthly or as otherwise agreed from time to time.

4.3.5 Any Party may call a meeting of the Officer Working Group provided that at least ten business days' notice of a

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meeting of the Officer Working Group is given to all the Parties. A proposed agenda shall be attached to each notice.

4.3.6 A shorter period of notice of a meeting of the Officer Working Group may be given if at least three Parties agree in writing.

4.3.7 The quorum of any Officer Working Group meeting shall be 75% of the Parties.

4.3.8 No business shall be conducted at any Officer Working Group unless a quorum is present at the beginning of the meeting and at the time when there is to be voting on any business.

4.3.9 Parties may participate by telephone in any Officer Working Group meeting and shall be included for purposes of the quorum.

4.3.10 The Parties shall use their respective reasonable endeavours to ensure that any meeting of the Officer Working Group has the requisite quorum.

4.3.11 Where the Officer Working Group wishes to vote on any such matters shall be resolved by a simple majority of those present or participating by telephone.

4.4 **Reporting**

Project reporting shall be undertaken at two levels:

4.4.1 **Officer Working Group:** Minutes and actions will be recorded for each Officer Working Group meeting highlighting: Progress on actions; issues being managed; issues requiring escalations and progress planned for the next period and circulated to the Parties promptly following each meeting. Any additional reporting requirement shall

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be at the discretion of the Officer Working Group.

4.4.2 **Organisational:** the Officer Working Group members shall be individually responsible for drafting any reports that their respective sponsoring organisations may require from time to time and obtaining any required Elected Member approvals.

5. ROLES AND RESPONSIBILITIES

5.1 The Parties shall undertake the roles and responsibilities required to deliver the Project as agreed at its commencement and from time to time.

5.2 For the purpose of such roles and responsibilities a Lead may be appointed by the Officer Working Group, being the party who has principal responsibility for undertaking the particular task or area of work as set out and instructed by the Officer Working Group. The Lead must act in compliance with the Mission Statement, Principles and Behaviours at all times.

6. ESCALATION

6.1 If a Party has any material issues, concerns or complaints about the Project, or any matter in this MoU, that Party shall notify the other Parties with a direct interest in such issues and those Parties shall then seek to resolve the issue by a process of consultation.

6.2 If any Party receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, claims made by a supplier or requests for information made under the Freedom of Information Act 2000 ("**FOIA**") in relation to the Project, the matter shall be referred to the Officer Working Group (or its nominated representatives) as soon as practicable and in any event within two (2) business days of receipt. No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect any Party, without the prior approval of that Party (or its nominated representative). Each of the Parties shall provide all necessary assistance and cooperation as reasonably requested by the Officer Working Group to enable the Parties to comply with their respective obligations under FOIA.

6.3 No Party shall commence formal dispute resolution proceedings (to include litigation) until the Parties' designated representatives have

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attempted to resolve the dispute informally by discussing the problem and negotiating in good faith for a period of at least 15 business days.

7. INTELLECTUAL PROPERTY & PUBLICITY

7.1 The Parties intend that notwithstanding any secondment any intellectual property rights created in the course of the Project shall vest in the Party whose employee created them (or in the case of any intellectual property rights created jointly by employees of several Parties in the Lead noted in clause 5 above for the part of the Project that the intellectual property right relates to).

7.2 Where any intellectual property right vests in any Party in accordance with clause 7.1 above, that Party shall grant an irrevocable royalty-free licence to the other Parties to use that intellectual property for the purposes of the Project.

7.3 Unless otherwise directed by the Parties, the Officer Working Group shall be responsible for all press announcements and publicity in relation to the Project.

7.4 The Parties shall be entitled to publicise their involvement in accordance with any legal obligation upon the respective Party.

8. TERM AND TERMINATION

8.1 This MoU shall commence on the date of signature by each of the Parties, and shall expire on completion of the Project which shall be deemed to occur on the latter of the 15th July 2016 or the acceptance by the Department for Communities and Local Government of any clarifications required by it pursuant to the submission referred to in clause 1.1.3.

8.2 A Party may terminate its participation in the Project and agreement to this MoU by giving at least one months' notice in writing to the other Parties at any time.

8.3 On termination or expiry of this MoU, the following clauses shall continue in force: clauses 6, 7, 8, 9, 10, 11, 12 and 13.

9. VARIATION

9.1 This MoU, including the Appendices, may only be varied by written agreement of all the Parties.

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10. CHARGES AND LIABILITIES

10.1 Except as otherwise provided including at clause 10.2, the Parties shall each bear their own costs and expenses incurred in complying with their obligations under this MoU.

10.2 The Parties agree to share the costs and expenses arising in respect of the Project between them in accordance with the Contributions Schedule [set out in Appendix C to this MoU][to be developed by the Officer Working Group and approved by the Parties within three months of the date of this MoU].

10.3 Each of the Parties shall remain liable for any losses or liabilities incurred due to their own or their employees' actions.

10.4 For the avoidance of doubt a Party's obligations pursuant to clause 10.2 in respect of funding for costs that have not been incurred by the Project at the date of that Party's termination in the Project shall upon the date off termination.

11. STATUS

11.1 The Parties enter into the MoU intending to honour all their obligations. Clauses 6, 7, 8, 9, 10, 11, 12 and 13 are legally binding. The other clauses of this MoU are not intended to be legally binding.

11.2 Nothing in this MoU is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute either Party as the agent of the other Party, nor authorise any of the Parties to make or enter into any commitments for or on behalf of the other Parties.

11.3 Notwithstanding anything apparently or impliedly to the contrary in this MoU, in carrying out its statutory duties or functions the discretion of each of the Parties shall not be fettered, constrained or otherwise unlawfully affected by the terms of this MoU.

12. COUNTERPARTS

12.1 This MoU may be executed in any number of counterparts and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart, when executed, shall be an original of this MoU and all counterparts shall together constitute one instrument.

12.2 Any notice given to a Party under or in connection with this MoU shall be in writing and shall be:

12.2.1 delivered by hand or by pre-paid first-class post or other next working day

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delivery service at its principal place of business as referred to in this MoU; or

12.2.2 sent by sent by email to the address specified in clause 4.3.2.

13. GOVERNING LAW AND JURISDICTION

13.1 This MoU shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in clause 6, each of the Parties agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

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APPENDIX A – ACCESS POOL MISSION STATEMENT

To establish a multi-asset pooling arrangement in order to:

1) Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

2) Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.

3) Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

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APPENDIX B – Principles of the ACCESS Pool

1. The participating authorities will work collaboratively.
2. Participating authorities will have an equitable voice in governance.
3. Decision making will be objective and evidence based.
4. The pool will use professional resources as appropriate.
5. The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
6. The pool will avoid unnecessary complexity.
7. The pool will evolve its approach to meet changing needs and objectives.
8. The pool will welcome innovation.
9. The pool will be established and run economically, applying value for money considerations.
10. The pool's costs will be shared equitably.
11. The pool is committed to collaboration with other pools where there is potential to maximise benefits.

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APPENDIX C - Contributions

[INSERT DETAILS OF CONTRIBUTIONS (INCLUDING FINANCIAL, STAFFING, PREMISES, USE OF IT ETC) THAT THE PARTIES ARE WILLING TO COMMIT. THIS SHOULD ALSO INCLUDE ANY ARRANGEMENTS FOR CROSS-CHARGING AND OTHER PROJECT COSTS (FOR EXAMPLE ANY CONSULTANT'S COSTS THAT MAY NEED TO BE PAID)]

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Signed for and on behalf of the
Administering Authority for the
CAMBRIDGESHIRE COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for THE
ESSEX COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for THE
EAST SUSSEX COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for THE
HAMPSHIRE COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the Administering Authority
for the **ISLE OF WIGHT COUNCIL**
Signature:
Name:
Position:
Date:

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Signed for and on behalf of the
Administering Authority for the
KENT COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for the
NORFOLK COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for the
NORTHAMPTONSHIRE COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for the
SUFFOLK COUNTY COUNCIL
Signature:
Name:
Position:
Date:

Signed for and on behalf of the
Administering Authority for the
WEST SUSSEX COUNTY COUNCIL
Signature:
Name:
Position:
Date:

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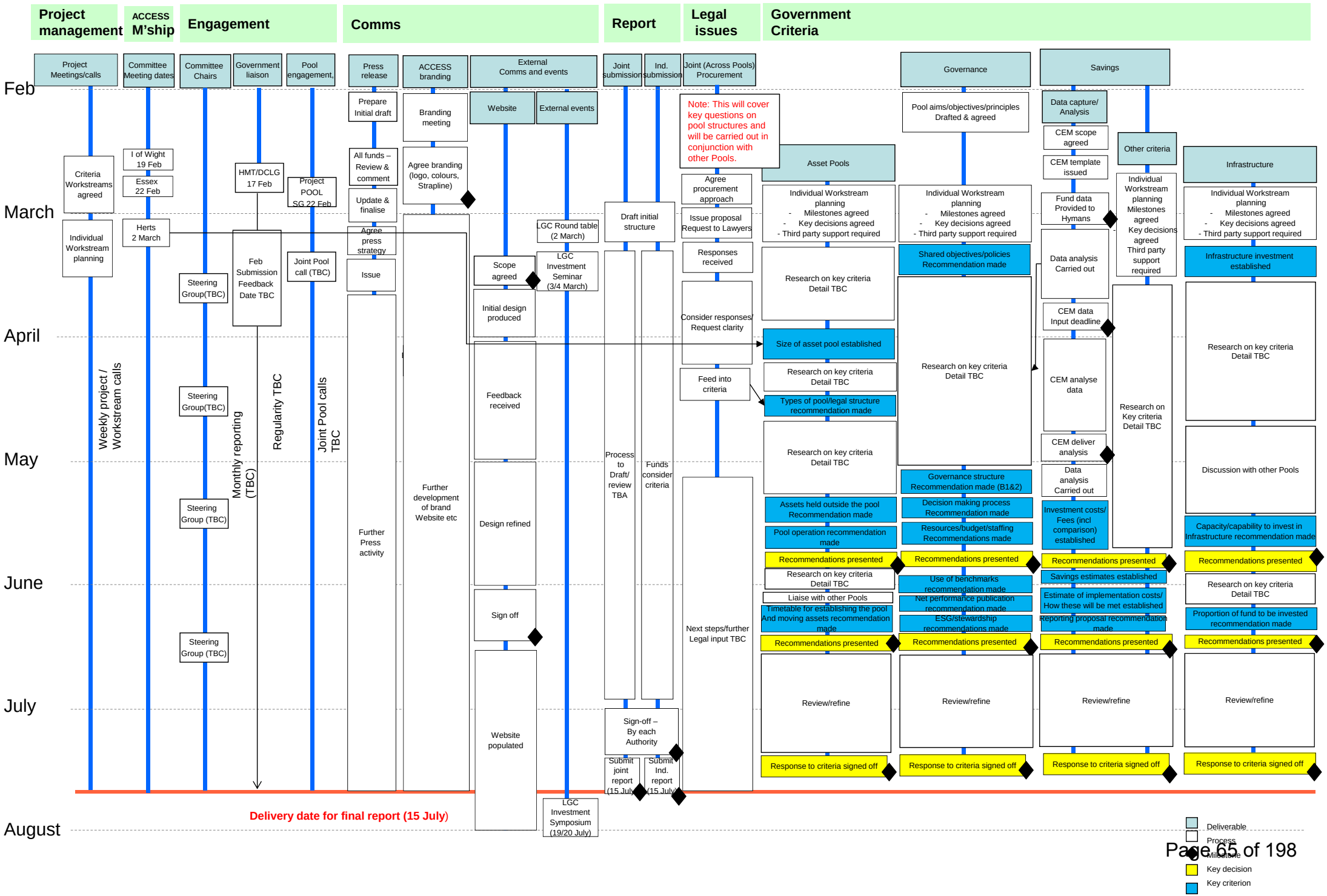
ACCESS Pool July joint submission - project overview as at February 2016



ACCESS Pool: Meeting the criteria

Main category	Criteria
A. Asset pools	1. The size of their pools once fully operational
	2. Any assets they propose to hold outside the pool(s) and the rationale for doing so.
	3. The type of pools they are participating in, including the legal structure if relevant.
	4. How the pool(s) will operate, the work to be carried out internally and services to be hired from outside.
	5. The timetable for establishing the pool(s) and moving their assets into the pool(s). Authorities should explain how they will transparently report progress against that timetable.
B. Strong governance and decision making	1. The governance structure for their pool(s), including the accountability between the pool(s) and elected councillors, and how external scrutiny will be used.
	2. The mechanisms by which the authority can hold the pool(s) to account and secure assurance that their investment strategy is being implemented effectively and their investments are being well managed.
	3. Decision making procedures at all stages of investment, and the rationale underpinning this.
	4. The shared objectives for the pool(s), and any policies that are to be agreed between participants.
	5. The resources allocated to the running of the pool(s), including the governance budget, the number of staff needed and the skills and expertise required.
	6. How any environmental, social and corporate governance policies will be handled by the pool(s)
	7. How the authorities will act as responsible, long term investors through the pool(s), including how the pool(s) will determine and enact stewardship responsibilities.
	8. How the net performance of each asset class will be reported publically by the pool, to encourage the sharing of data and best practice.
	9. The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the pool(s), for example by undertaking the Scheme Advisory Board's key performance indicator assessment.
C. Reduced costs and excellent value for money	1. A fully transparent assessment of investment costs and fees as at 31 March 2013.
	2. A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison.
	3. A detailed estimate of savings over the next 15 years.
	4. A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool(s), and an explanation of how these costs will be met.
	5. A proposal for reporting transparently against their forecast transition costs and savings, as well as how they will report fees and net performance.
D. An improved capacity to invest in infrastructure	1. The proportion of their fund currently allocated to infrastructure, both directly and through funds, or "fund of funds".
	2. How they might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments directly through the pool(s), rather than existing fund, or "fund of funds" arrangements.
	3. The proportion of their fund they intend to invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at that amount.

APPENDIX C: Analysis of Project Costs

	To February Submission	To July Submission
Workshop support	£7,000	£5,000-£7,000
Project Management and Support	£27,000 - £30,000	£80,000-£100,000*
Consultancy Support	£25,000 - £30,000	£100,000-£200,000
Additional Data Analysis (potential costs, indicative)#		£100,000-£200,000
Total (Per fund)	£59,000-£67,000 (£5,400 - £6,100)	£285,000-£507,000 (£26,000 -£46,000)

*Includes estimated project management/support costs of £18-36k per work stream, depending on meeting/call frequency. One work stream already expected to have costs well below minimum estimate.

The costs of any supplemental data analysis required to determine required projected savings information will not be clear until the work stream progresses further

Above costs exclude professional legal advice currently being sought on structures, hence request for £60k maximum budget.

Agenda Item No: 5

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Pension Fund Annual Business Plan Update report 2015-16**
Purpose of the Report	**To present the fourth Pension Fund Business Plan Update for the 2015-16 financial year to the Pension Committee.**
Recommendations	**The Committee are asked to note the attached Pension Fund Business Plan fourth update for the 2015-16 financial year.**
Enquiries to:	Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel – 01604 367030 E-mail – jwalton@northamptonshire.gov.uk

1. Background

1.1 Good governance ensures that updates to the pre-agreed Annual Business Plan are provided to the Committee on a regular basis. This update highlights the progress made on the Fund's activities, its achievement on the key performance indicators and also any other initiatives during each quarter of 2015-16 as laid out in the Annual Business Plan.

1.2 The Fund Business Plan update is attached in **Appendix 1**.

2. Business Plan Update

2.1 Key Fund activities

2.1.1 This section provides an update on the achievements of LGSS Pensions Service in working towards the Fund activities for 2015-16 as laid out in the Annual Business Plan. During this reporting period, good progress has been made on all the key Fund activities.

2.2 Contribution reporting

2.2.1 This section details the percentage of scheme employers that pay over their employee and employer monthly contributions by, or after, the statutory deadline of the 19th day of the month following deduction. For the period 1 October 2015 to 31 December 2015 an average of 1.7% of employers paid their contributions late. Over the October to December payroll periods, £140,595.03 of contributions was paid over late.

2.2.2 In addition, the late submissions of payment schedules are now being monitored as non-reconciled payments puts additional strain on the Service to resolve. For the period 1 October 2015 to 31 December 2015 an average of 3.5% of employers submitted their schedules late.

2.3 Administration and Investment Expenses

2.3.1 This section provides a forecast of administration and investment costs against the original estimate in the Annual Business Plan and Medium Term Strategy 2015-16.

2.3.2 The net position of total administration, governance and investment expenses shows an overspend position of £278k against the original estimate. The main reasons were;

- Administration Expenses (£54k), mainly relate to County Council Related Overheads; where anticipated savings will slip into the 2016-17 financial year;
- Direct Investment related expenses (£436k) which previously had not been shown gross, but netted off against fund manager fees;
- Governance related (-£212k) an under spend on actuarial costs (-£212k) reflecting higher recovery of actuarial costs to employers.

2.4 Key Performance Indicators

2.4.1 This section of the Business Plan Update reports on the key performance indicators (KPIs) as set out in the Business Plan.

2.4.2 For this quarter (November, December and January), most Pension Service targets either met or exceeded target with the exception of providing a maximum of one estimate of benefits to employees per year on request and to provide a transfer in quote to scheme members within 10 working days or on receipt of all appropriate information.

2.4.3 The target set for scheme employers to submit all new starters and variations was not achieved but progress has been made in this area due to continued close liaison with the large payroll providers. Currently one large payroll provider is not submitting timely and accurate interfaces and this is currently being managed.

2.4.4 The key performance indicators will continue to be monitored through out the reporting period with appropriate actions to be taken where targets are not being met.

3. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

4. Finance & Resources Implications

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

5. Risk Implications

a) Risk(s) associated with the proposal

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

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

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

6. Communication Implications

Direct Communications	The Pension Fund Business Plan Update will be presented to the Pension Fund Committee at its quarterly business meetings.

7. Legal Implications

7.1 Not applicable

8 Consultation with Key Advisers

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

9. Alternative Options Considered

9.1 Not applicable

10. Background Papers

10.1 Not applicable

11. Appendices

11.1 Appendix 1 – Annual Business Plan Update 2015-16 – Update 4 (March 2016).

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	Not applicable
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 2/3/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Cambridgeshire
Pension Fund

Annual Business Plan 2015-16

Update 4 (March 2016)

LGSS

This is the forth Business Plan Update of 2015-16.

The Annual Business Plan and Medium Term Strategy 2015-16 was approved at the March 2015 meeting of the Pension Fund Board, the purpose of this update is to show the progress made during this fourth quarter linking directly to Cambridgeshire Pension Fund objectives.

To demonstrate the progress made there are four sections that provide the relevant evidence as follows -

- Key Fund challenges
- Contribution reporting
- Administration and investment expenses
- Key Performance Indicators

This update shows how the Fund has performed in terms of actions required and whether KPI targets have been met. The purpose is to highlight outstanding actions in order to reach key milestones and address any areas of poor performance in order to improve and meet targets.

The regular update aims to show the quarterly performance with an overview of the year after the fourth quarter. The update ensures the Fund is keeping on track to ensure the desired outcomes.

Mark Whitby
Head of LGSS Pensions Service

Section 1 - Key Fund activities

The Annual Business Plan 2015-16 laid out the key activities facing the administration and governance of the Local Government Pension Scheme. The plan related to the Fund's objectives as well as changes in regulations, in order to ensure that actions taken are clearly defined and for a specific purpose.

A number of these activities link directly to the Fund's policies, strategies and contractual services in order to ensure functions are being carried out effectively.

The below table shows the key Fund activities as agreed and provides an update on how the Fund has been working towards these actions.

Regulatory activities	Progress	Timescale for completion
Implementing the 2015 governance changes. • Embed the Pensions Regulator Code of Practice – Governance and administration of public service pension schemes. • Assist LGSS Democratic Services with the creation and ongoing operation of the Public Service Pensions Act 2013 requirement for each public service pension scheme to have a local pension board.	• A high level summary of the extent to which the Cambridgeshire Pension Fund is complying with the Code of Practice is detailed in a further report to be presented at the March 2016 meeting of the Pension Committee. Ongoing – Amber • The third Local Pension Board meeting took place on 20 January 2016. As part of the meeting the reports presented at the October and December 2015 Pension Committee meetings were discussed. Completed – Green	Ongoing process throughout 2015-16 into 2016-17.

Strategic/Objective based activities	Progress	Timescale for completion
Improving employer performance and engagement. • Undertake full review of Administration Strategy including approach to dealing with poor performing employers. • Introduce improved system for escalation of endemic employer issues from casework officers to Employers Team.	• The Administration Strategy was reviewed as part of the previous business cycle and is scheduled to be brought before the Committee for review in October 2016. Ongoing – Amber • The employers issue log is continuing to be used and relevant actions have been taken throughout the year to provide employers with additional support and bespoke training where required. Ongoing – Amber	Ongoing.
Customer satisfaction. • Organisational Workforce Development to facilitate Customer Service Excellence Standard training with a view to achieving this Standard. • Embed customer service culture. • Carry out customer satisfaction surveys. • Continue to build on staff capabilities with a number of learning and development activities.	• Evidence has been gathered for the agreed assessment criterion in preparation for the pre assessment which is due to take place in March 2016. The service will be applying for full accreditation later in the year. Ongoing – Amber • The Customer Satisfaction Survey results identified achievements with processing actual retirements and also areas for improvement such as with the provision of benefit estimates. The feedback is being considered and service improvements will be made accordingly. Ongoing – Amber • The CIPFA Benchmarking exercise highlighted a shortage in staff qualifications and this has mainly been due to restructuring. A number of staff are currently obtaining qualifications which will have a positive impact on subsequent benchmarking statistics. Ongoing – Amber	Ongoing process throughout 2015-16 into 2016-17.

	• Relevant Officers of the Fund received training by the Scheme Actuary on all aspects of the employer lifecycle including, on boarding, cessation, valuation, accounting reports and employer covenants to ensure relevant knowledge for the 2016 triennial valuation.. Completed – Green	
Source efficiencies to reduce the cost of administering the Fund. • Improve efficiency of business processes, particularly those in connection with non Altair based activity. • Improve employer performance. • Move to electronic annual benefit statements. • Promote greater use of employer and member self- service facility.	• A policy has been created to ensure Employers are aware of their statutory obligations and the potential ramifications of not achieving paying over both the employee and employer contributions on time. The policy ensures that Officers are adhering to the procedures set and effectively ensures a smoother process with greater controls in place. Completed – Green • Training has been provided by Officers for employers to improve the quality of information they provide on scheme members in the areas of pensionable pay which has become increasingly complex since the introduction of the LGPS 2014.Bespoke training has also provided to employers to enable them to fulfil all other areas of scheme administration that falls within their remit as a scheme employer. Officers will continue to provide training for employers both on a collective and individual basis where appropriate. Ongoing – Amber • There has been a significant increase in the number of telephone queries concerning member self service as a result of the move to electronic annual benefit statements. It is anticipated that the uptake of member self service will continue to increase due to this factor. Ongoing – Amber • Employer self service has seen an increased uptake from scheme employers (from 143 to 252 employers across both	Throughout 2015-16

	Funds). Employers are using this service to produce various benefit calculations in respect of their employees. This figure is due to increase due to employers being asked to check data extracts via the employer self service in preparation for the 2016 triennial valuation. Ongoing – Amber	
Managing the risks associated with the increasing volume and diversity of scheme employers as a result of the move to alternative service delivery models. • Monitor and manage resource pressures as a result of increasing numbers of scheme employers. • Identify split between statutory and potentially chargeable non-statutory activity. • Investigate and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects.	• Due to increasing numbers and complexities of scheme employers, Officers now deliver webinars on various topics in order to maximise efficiencies by making the best use of available resources. Encouraging the use of Employer Self Service ensures that the more basic functions can be performed by employers leaving more complex issues to be dealt with by the service. Ongoing – Amber • Individual employer risk will be assessed during the valuation process and Officers will liaise with high risk employers appropriately. Risk will also be monitored through business planning via the risk register and appropriate action will be taken to ensure the Fund is comfortable with the level of covenant a particular employer has. Ongoing – Amber	Throughout 2015-16
Improve data quality. • The Guaranteed Minimum Pension (GMP) reconciliation project will ensure that the correct amount of GMP is held on both Altair and on the individual pensioner payroll records.	• The national requirement to reconcile GMP (contracted out liabilities) due to the cessation of contracting out as of April 2016 has been running in tandem with the payroll reconciliation project. LGSS Pensions Service has been in dialogue with HMRC to settle liabilities that do not belong to the Northamptonshire Local Government Pension Scheme.	Throughout 2015-16

• Reconciliation of the pensioner payroll against Altair pensioner records will be run in tandem with the GMP reconciliation project.	This project will continue during 2016-17 for deferred and retired members and into 2017-18 for active scheme members. • A full and thorough reconciliation of Altair Payroll vs Oracle Payroll has been ongoing since April 2015. The focus has been on member's Altair and Oracle records that have a variance of greater than £100 per annum +/-. This work will be ongoing into 2016-17.	
Renewal/review of contracts	**Progress**	**Timescale for completion**
Procurement of actuarial, governance and benefits consultancy service. • LGSS Pensions participation in the refreshing of the National LGPS Framework for Actuarial and Benefits Consultancy contracts to commence from May 2015.	• Work to refresh the National LGPS Framework for Actuarial and Benefits Consultancy has been delayed. Further updates will be provided once the project commences. Completed - Green	Process to complete by June 2017.
Review Additional Voluntary Contribution providers. • Gather investment and membership data and analyse performance and popularity of the current providers. • Seek information on other suppliers Additional Voluntary Contribution facilities for LGPS members.	• The Investment Team is looking at the range of investment offerings provided by Prudential on the AVC platform to ensure that we have an appropriate range available to members. A report on the proposed set of investment options will be provided to the Pension Committee at a later date. Ongoing – Amber.	2015-16 and into 2016-17

Section 2 - Contribution Reporting

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions either on time or late (after the 19th of the month following deduction) for the period 1 January 2015 to 31 December 2015.

	Jan -15	Feb - 15	Mar -15	Apr - 15	May -15	Jun -15	Jul -15	Aug - 15	Sep - 15	Oct -15	Nov -15	Dec -15
% of Employers Paid on Time	95.7	97.6	91	96.1	94.7	95.1	97.9	97.3	97.7	97.1	98.6	99.3
% of Employers Paid Late	4.3	2.4	9	3.9	5.3	4.9	2.1	2.7	2.3	2.9	1.4	0.7

The average percentage of employers who did not pay their contributions by the 19th day of the month following deduction for this quarter was 1.7% per month.

In the quarter, 14 late payments were made in October totalling £59,933.98. November experienced 7 late payments of £77,842.41 and in December there were 4 late payments of £2,818.64. The total value of late payments for this quarter amounted to £140,595.03.

There were 6 employers who were reported as paying late more than once in this or the previous quarter combined. For this quarter the value amounted to £69,189.75.

A breakdown of this is below –

Employer	Month	Days Late	Amount	Last Quarter	Comments/Action
A	October	18	£226.26	July late August late September late	The employer overpaid originally and ran out of surplus resulting in late payments; this issue has been resolved for November and December.
B	October	16	£2,489.31	July late August late September late	The employer fell behind with payments and was making double payments to catch up. This has been resolved for November and December.
C	October	4	£2,914.90	July late August late September late	The Employer was reminded of the statutory deadline and payments for November and December have been

					made on time.
D	October December	1 5	£218.59 £205.34	July late August late September on time	Cheque payments are not received on time. This has been escalated to the Employers Team for resolution.
E	October November December	10 17 Unpaid	£1,023.28 £1,056.13 £1,056.13	July late August late September late	This employer has been reported to the Pensions Regulator in respect of the late and non-payment. This employer is being closely monitored.
F	October November	19 1	£27,437.67 £32,024.99	July on time August on time September on time	The employer was reminded of their statutory obligations and the issue was resolved for December. This employer will be closely monitored over the next quarter.
G	October November December	5 Unpaid Unpaid	£179.05 £179.05 £179.05	July on time August on time September on time	A change in key personnel has resulted in one late and 2 months of contributions not being paid. The employer has been reminded of their statutory obligations and will be paying outstanding monies as soon as possible. This employer will be closely monitored over the next quarter.

The following table shows the percentage of employers in the Cambridgeshire Pension Fund who submitted their payment schedules either on time or late for the period 1 April 2015 to 31 December 2015. Schedules need to be submitted either before or at the same time as payment is credited to the Fund's bank account to enable reconciliation.

	Apr -15	May - 15	Jun -15	Jul -15	Aug -15	Sep -15	Oct -15	Nov -15	Dec -15
% of Employers submitted on time	93.2	94.1	95.2	97	94.5	93.5	94.8	96.4	98.4
% of Employers submitted late	6.8	5.9	4.8	3	5.5	6.5	5.2	3.6	1.6

Section 3 - Administration and Investment Expenses

Below is how the Fund has performed against the financial forecast detailed in the Annual Business Plan for 2015-16

Administration, Governance and Investment Expenses				
31 March 2016	2015-16 Original Estimate £'000	2015-16 Full Year Forecast £'000	2015-16 Variance £'000	Comments
LGSS Pension Service	1,491	1,475	-16	Vacancy factor on staffing offset by purchase of Altair payroll licence.
County Council Related Overheads	702	772	70	Slippage of projected savings into 2016-17.
Administration Expenses	**2,193**	**2,247**	**54**	
Direct Fund – Governance Related	415	203	-212	Reduced net actuarial charges reflecting greater recovery of costs direct to employers.
Direct Fund – Governance Related	**415**	**203**	**-212**	
Direct Fund – Investment Related	250	686	436	
Direct Fund – Investment Related	**250**	**686**	**436**	Change in CIPFA guidance re grossing up of transaction costs.
Total Administration, Governance and Investment expenses	**2,858**	**3,136**	**278**	

Section 4 - Key Performance Indicators – 1 November 2015 to 31 January 2016

Below are the results of how the Fund has performed against the Key Performance Indicators set out in the 2015-16 Annual Business Plan.

The following Key Performance Indicators are based on the performance of LGSS Pensions Service.

Function/Task – Service Key Performance Indicators	**Indicator**	**Target**	**Within Target** (last quarter performance)	**Update/Additional Information**
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%	92% (94%)	Target achieved and exceeded.
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%	100% (99%)	Target achieved and exceeded.
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%	97% (99%)	Target achieved and exceeded.
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	84% (77%)	Overall performance is increasing following the peak in demand for estimates during the year. Since December estimate requests have

				started to fall resulting in the improvement in performance of 94% in both December and January which is 4% above the target. are due to a reduction in estimate requests.
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%	92% (69%)	Target marginally missed as November had further staff rotations. This has improved greatly for December and January. In January 2016, the target of 95% was achieved.
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%	N/A	No communications linked directly to scheme changes have been sent in this quarter.
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%	N/A	

The following Key Performance Indicators are based on the performance of the employers within the Fund

Function /Task – Employer Key Performance Indicators	**Indicator**	**Target**	**Within Target**	**Update/Additional Information**
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	Contributions to be received by individual employers by 19th calendar day of month after deduction and statement/schedule was received by the same date as payment.	100%	98.3% (96.3%)	Work is continuing with employers to ensure timely submission of both payments and schedules for each calendar month. This has improved by 2% since the last quarter
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%	N/A	
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%	67.7% (66.7%)	Close liaison between the Pension Service and the large payroll providers has continued. The Employers Team is continuing to manage this process with payroll providers that are not achieving the deadlines in order that improvement is made in this area.

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Date: 24 March 2016

Report by: Head of LGSS Pensions

Subject:	**Pension Fund Annual Business Plan and Medium Term Strategy, 2016-17 to 2018-19**
Purpose of the Report	**To outline the Fund's objectives for 2016-17 and provide a plan of action as to how key priorities will be achieved.**
Recommendations	**The Committee are asked to approve the attached Pension Fund Business Plan for 2016-17 provided in the appendix to this report.**
Enquiries to:	**Jo Walton, LGSS Governance and Regulations Manager** **Tel - 01604 367030** **E-mail - jwalton@northamptonshire.gov.uk**

1. Background

1.1 Good governance dictates that each Pension Fund should adopt a Business Plan detailing the Fund's objectives and setting out key priorities for the 2016-17 and in some cases, subsequent years.

1.2 The proposed Business Plan is attached in appendix 1.

2. The Business Plan 2016-17

2.1 Executive summary

2.1.1 The executive summary explains the challenges that the Fund has faced and will continue to face over recent and forthcoming years. These challenges range from the extended powers of the Pension Regulator to asset pooling in the LGPS.

2.2 Purpose and scope of the Fund

2.2.1 This section provides a high level overview of how the Fund operates in terms of its relationship with the Administering Authority through delegated responsibilities to the Pension Committee, the Scheme's administration arrangements with LGSS, the role of the Local Pension Board and the relationship with its stakeholders.

2.3 Contextual information on the Northamptonshire Pension Fund

2.3.1 This section provides the Fund's membership, assets and liabilities and investment information as at 31 December 2015 in order to provide the context behind the content of the Business Plan.

2.3.2 The section also shows cash flow projections which demonstrate that estimated contribution income is expected to exceed expenditure for the period 1 April 2015 to 31 March 2028. The section also details estimates of the fund account, investment income and expenditure and administration expenses for the period 2016-17 to 2018-19.

2.4 Fund Objectives

2.4.1 The setting of clear objectives is critical to effective Fund business planning. The objectives were revised in 2015 to ensure they are Specific, Measurable, Achievable, Realistic and Timely. The new objectives for the Northamptonshire Pension Fund are set out in section 3 of the Business Plan.

2.5 Key Fund activities 2016-17

2.5.1 This section details the key activities that the Fund will undertake during 2016-17. The activities are split into high level categories with a link to the relevant objective or multiple objectives as detailed below:

Activity	
Ensuring and maintaining regulatory compliance/best practice	• Ensure and maintain compliance with the Pensions Regulator's code of practice: governance and administration of public service pension schemes and the Public Service Pension Act 2013 • Ensure Pension Committee, Pension Fund Board and Officers of the Fund have appropriate knowledge to inform and make decisions about the Fund.
Ensuring and maintaining data quality	• Review, improve and maintain data quality.
Utilising technological solutions	• Utilise Altair to provide self service facilities to scheme members and scheme employers to enable faster and more efficient exchanges of information • Implement and fully exploit Altair Pensioner Payroll and Immediate Payment functionality to achieve cost savings, efficient processes and increased quality of service to scheme members and other stakeholders. • Reduce the reliability on manual functions in favour of automated solutions.
Utilising collaboration	• Proactively participate in the creation of a multi asset pool to meet the government's investment pooling agenda • Procurement of actuarial, governance and benefits consultancy service (in conjunction with Cambridgeshire Pension Fund to achieve economies of scale).

Managing risk	• Development of a Fund Risk Register that identifies all risks facing the Fund in the short, medium and long term, tracks and highlights movement in risks and links to the Fund's objectives. • Managing the risks associated with the increasing volume and diversity of scheme employers and ensures that these risks are reflected in the funding approach for each scheme employer
Managing Fund performance – administration	• Undertake full review of the Administration Strategy to enable a more streamlined approach to managing poor performing employers). • Monitor and improve stakeholder satisfaction • Monitor and deliver required levels of administration performance for scheme employers and the service.
Maintain appropriate cash flow	• Ensure employee and employer contributions are received on time for each scheme employer. • Ensure all overpayments of pension benefits are managed in a cost effective and timely manner.
Ensuring effective communications	• Deliver plain English communications • Deliver effective and timely communications to scheme members and scheme employers, including collaborating with other LGPS Funds where appropriate.
Maintaining long-term Fund solvency	• Undertake the 2016 triennial valuation of the Fund. • Regularly monitor the funding level.
Maintaining value for money	• Demonstrate that the Fund is operating in a manner that achieves value for money.

2.6 Performance Indicators

2.6.1 Section 5 of the Business Plan details the key performance indicators that the LGSS Pensions Service will report on during 2016-17 as agreed in the Fund's Administration Strategy.

3. Finance & Resources Implications

3.1 Performance against the estimates of the fund account, investment income and expenditure and administration expenses estimates will be reported quarterly to the Pension Committee via the Business Plan updates.

4. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
No risk as it is best practice that the Fund has an approved business plan.	N/A	N/A

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

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

5. Communication Implications

Direct Communications	The Business Plan will be presented to the Pension Committee at its quarterly business meetings.
Website	The Business Plan will be published on the Fund's website.

6. Legal Implications

6.1 Not applicable.

7. Consultation with Key Advisors

7.1 The Fund's key advisers have been consulted in the Business Plan where necessary.

8. Alternative Options Considered

8.1 The alternative of not having a Business Plan is not considered an acceptable alternative for the Fund.

9. Background Papers

9.1 Not applicable.

10. Appendices

Appendix 1 Annual Business Plan and Medium Term Strategy 2016-17

Checklist of Key Approvals	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by Head of Pensions?	Mark Whitby – 2/3/2016
Has this report been cleared by the Section 151 Officer/Chief Finance Officer?	Sarah Heywood – 2/3/2016
Has the Chairman of the Pension Fund Board been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Annual Business Plan and Medium Term Strategy 2016-17 to 2018-19

Cambridgeshire Pension Fund

LGSS

Executive summary

The purpose of this Annual Business Plan and Medium Term Strategy 2016-2018 is to outline the Fund's objectives and provide a plan of action as to how key priorities over the next two years will be achieved in order to further these objectives.

Over the last few years the Fund has faced increasing complexities and there has been and continues to be new legislation that has fundamentally changed the way in which we work and our relationship with our stakeholders. The complexities have stemmed from but are not limited to the following;

- Asset Pooling
- Pension Regulators Code of Practice
- Increased risk monitoring
- Changes due to the implementation of a new pensioner payroll system
- Scheme Advisory Board
- Funding pressures resulting from past and present market conditions and increased longevity
- Overriding HMRC legislation
- Increased diversity of Scheme Employers resulting from alternative service provision models
- End of contracting-out of the State Second Pension (S2P – previously SERPS)
- Amending regulations

To manage these challenges the Fund needs to be flexible and responsive to adapt in a timely and effective manner.

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the current financial year 2015-16, and projections for 2016-17 through to 2018-19, as well as the administration and investment expenses.

The Business Plan also details the key performance indicators by which the Fund's performance will be measured. A full listing of these indicators can be found in section 5.

Officers will update the Pension Fund Committee and the Pension Fund Board on the progress made against all aspects of the Business Plan in the Business Plan Update reports presented at each meeting.

Section 1 - Purpose and scope of the Fund

The Cambridgeshire Pension Fund is one of 89 Funds making up the Local Government Pension Scheme (LGPS). Cambridgeshire County Council is the statutorily appointed Administering Authority for the Cambridgeshire Pension Fund.

In 2014, the LGPS became a career re-valued average pension scheme having previously been a final salary pension scheme since its inception. The LGPS is principally funded by its constituent employers and members, with assistance from investment returns. Unlike other public service pension schemes, the LGPS is fully invested in financial markets and aimed to be fully funded over the long term.

Administration of the Fund

In 2012, the administration of the Cambridgeshire Pension Fund was converged with Northamptonshire Pension Fund following the creation of LGSS, a joint partnership between Cambridgeshire and Northamptonshire County Councils. The Funds, however, remain as two distinct entities.

Both administration and investment activities are now fully converged and based in the Northamptonshire office. Since 2012, both Funds have benefited from cost savings through the ability to procure services such as investment consultancy and custodian services on a joint basis as well as streamlining the provision of the administration functions.

Governance and Management of the Fund

The Cambridgeshire Pension Committee is responsible for the proper administration of the Fund in all its aspects.

The Pension Committee has its delegation direct from full Council. The Committee's role is to set the Pension Fund objectives and determine and maintain appropriate strategies, polices and procedures with ongoing monitoring of the Fund's activities. The Pension Committee is assisted by an Investment Sub-Committee that looks at the operational governance of investment issues.

From 1 April 2015, a further layer of governance was introduced in the form of a non-decision making local pension board. The local pension board is a direct requirement of the Public Service Pensions Act 2013 and its role as defined in the Regulations is to assist the Administering Authority (Cambridgeshire County Council);

1) to secure compliance with, the LGPS regulations, other legislation relating to the governance and administration of the LGPS; and the requirements imposed by the Pensions Regulator

2) to ensure the effective and efficient governance and administration of the LGPS.

Stakeholders of the Pension Fund

Stakeholders of the Fund fall into the following categories;

- Active, deferred and retired members of the Scheme, their dependants and prospective members
- Scheme Employers
- Regulatory Bodies
    - DCLG (the responsible authority)
    - HMRC
    - Department of Work and Pensions
    - The Pensions Regulator
- Trade Unions
- Administering Authority (the Scheme Manager)
- The UK tax-payers
- Scheme Advisory Board

The Fund has a responsibility to all of its stakeholders to carry out its business in an open and transparent manner.

Section 2 – Contextual information on the Cambridgeshire Pension Fund

Membership data

The membership profile of the Cambridgeshire Pension Fund, split by active, deferred and pensioner membership as at year ending 31 March is shown below;

	2011-12	2012-13	2013-14	2014-15	2015-16 (up to 31/12/15)
Active members	22,730	22,844	24,854	25,345	27,047
Deferred members	20,805	22,910	25,793	28,255	30,005
Pensioner members	13,408	14,288	15,091	15,658	16,066
Total members	**56,943**	**60,042**	**65,738**	**69,258**	**73,118**

Assets and liabilities

As of 31 December 2015 the assets of the Fund were £2.173bn which the Scheme Actuary has estimated are sufficient to meet 69.8% of the Fund's liabilities, this figure has been projected from the data used in the 2013 actuarial valuation.

Investments

The following table shows the allocation of the Fund's assets across the different asset classes as at 31 December 2015.

Asset class	Investment in £	% of Fund
Equities	1,452.7	66.9
Cash	14.2	0.7
Alternatives	172.0	7.9
Property	194.3	8.9
Fixed income	339.6	15.6
Total	**2,172.8**	**100%**

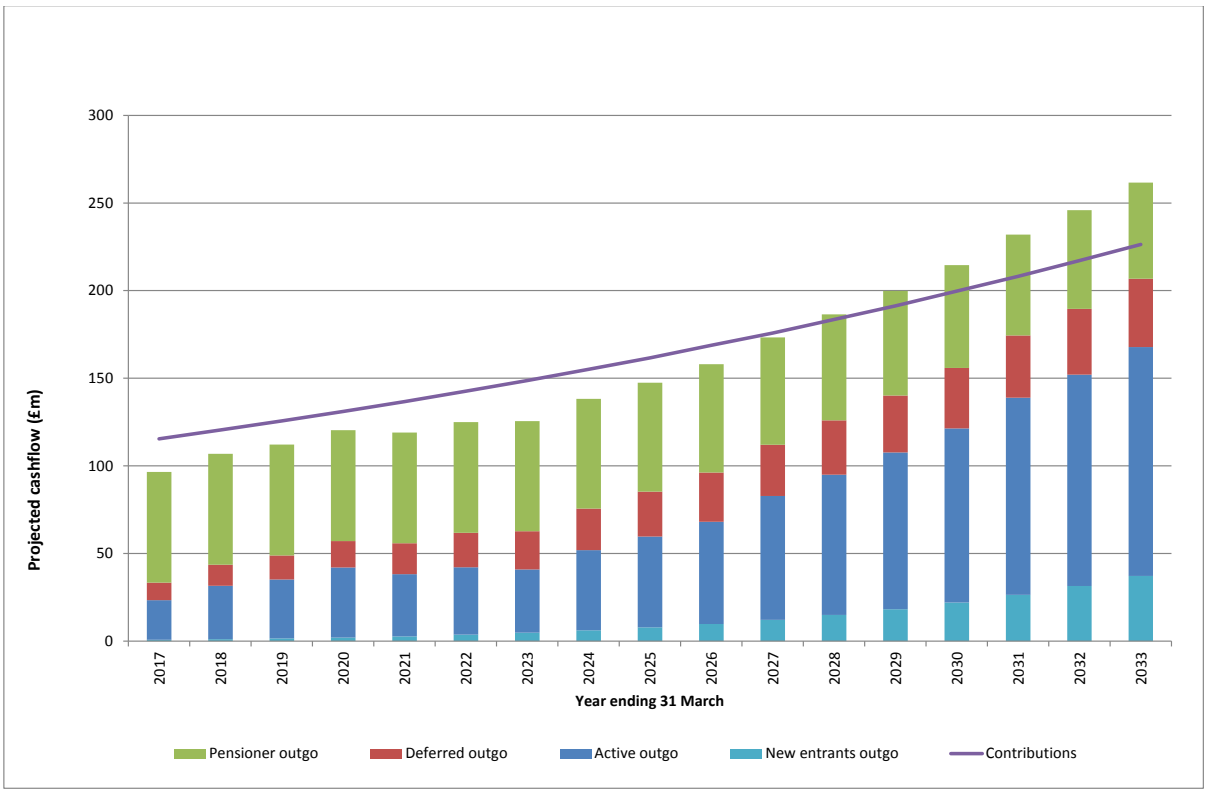
As at 31 December 2015 the Fund's assets are invested with the following managers

Manager	Asset Class	£m	%
Schroders	Multi Asset	568.9	26.2
Dodge & Cox	Global Equity	325.9	15.0
SSGA	Global Equity	309.7	14.3
J O Hambro	Global Equity	248.2	11.4

SSGA	UK Equity	208.0	9.6
Schroders	Property	194.3	8.9
Private Equity		118.3	5.4
Skagen	Emerging Market Equity	78.6	3.6
Infrastructure		53.7	2.5
M&G	Fixed Income	53.0	2.4
Cash		14.2	0.7
Total		**2,172.8**	**100.0**

Cash Flow

The following graph shows the cash flow projections from 1 April 2015 to 31 March 2033. It can be seen from the graph that estimated contribution income is expected to exceed or match benefit outgo for the period to 31 March 2028. Thereafter contributions are expected to be less than the benefit outgo. This assumes that employer and employee contributions continue to be as the actuary has predicted and the assumptions underpinning the 2013 actuarial valuation are borne out.



Fund account, investment and administration estimates

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

	2015-16 Estimate	2015-16 Forecast	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate
	£000	**£000**	**£000**	**£000**	**£000**
Contributions	(111,000)	(110,915)	(111,082)	(110,317)	(114,008)
Transfers in from other pension funds:	(5,700)	(7,180)	(5,370)	(5,370)	(5,370)
TOTAL INCOME	**(116,700)**	**(118,095)**	**(116,452)**	**(115,687)**	**(119,378)**
Benefits payable	97,800	91,581	92,784	94,521	96,305
Payments to and on account of leavers:	5,700	4,710	5,370	5,370	5,370
	103,500	96,291	98,154	99,891	101,675
Management Expenses	8,575	8,339	7,855	7,894	8,045
TOTAL INCOME LESS EXPENDITURE	**(4,625)**	**(13,465)**	**(10,443)**	**(7,902)**	**(9,658)**
Investment Income	(37,000)	(27,000)	(28,000)	(29,000)	(30,000)
Taxes on Income	0	0	0	0	0
(Profit) and losses on disposal of investments and changes in the market value of investments	(130,000)	96,000	(73,000)	(77,000)	(71,000)
Net return on investments	**(167,000)**	**69,000**	**(101,000)**	**(106,000)**	**(101,000)**
Net (increase)/decrease in the net assets available for benefits during the year	**(171,625)**	**55,535**	**(111,443)**	**(113,902)**	**(110,658)**

Management Expenses	2015-16 Estimate	2015-16 Forecast	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate
Total Administration Expenses	2,398	2,204	2,249	2,306	2,222
Total Governance Expenses	415	203	428	190	197
Total Investment Expenses	5,762	5,932	5,178	5,398	5,626
TOTAL MANAGEMENT EXPENSES	**8,575**	**8,339**	**7,855**	**7,894**	**8,045**

Administration Expenses Analysis	**£000**	**£000**	**£000**	**£000**	**£000**
Staff Related	*1,173*	*1,107*	*1,184*	*1,197*	*1,210*
Altair System	*233*	*293*	*259*	*265*	*270*
Communications	*65*	*63*	*64*	*65*	*66*
Other Non Pay and Income	*225*	*(32)*	*40*	*77*	*(27)*
County Council Overhead Recovery	*702*	*773*	*702*	*702*	*702*
Total Administration Expenses	**2,398**	**2,204**	**2,249**	**2,306**	**2,222**

Section 3 - Fund Objectives

The objectives of the Fund have been derived around the Fund's core purpose and to ensure it is managed effectively and appropriately. All business activity will link back to the objectives to ensure relevance and purpose.

The Fund's objectives are as follows -

1. Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.

2. Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.

3. Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

4. Continually monitor and measure clearly articulated objectives through business planning.

5. Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.

6. Ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.

7. Ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

8. Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.

9. Ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.

10. Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

11. Maintain accurate records and ensure data is protected and used for authorised purposes only.

12. Promote the Scheme as a valuable benefit.

13. Deliver consistent plain English communications to Stakeholders.

14. Provide Scheme members with up to date information about the Scheme in order that they can make informed decisions about their benefits.

15. Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

16. Ensure cash flows in to and out of the Fund are timely and of the correct amount.

17. Ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.

18. Put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.

19. Maximise investment returns over the long term within agreed risk tolerances.

20. Ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

Section 4- Key Fund activities 2016-17

It is essential for the Fund to demonstrate its commitment to achieving its objectives through careful planning and management of specific, measurable, achievable, relevant and timely activities.

The following activities identified for the 2016-17 financial year address each of the Fund's 20 objectives as detailed in section 3 and have been grouped into sub-headings for clarity and relevance. The table below aligns each activity to it's relevant objective or more than one objective and the approach officers will take to achieve the particular activity and how the progress will be measured and reported with key dates where appropriate.

	Activity	**Fund Objectives**	**Approach to achieving/managing**	**How progress will be measured/reported**
Ensuring and maintaining regulatory compliance/best practice	Ensure and maintain compliance with the Pensions Regulator's code of practice: governance and administration of public service pension schemes and the Public Service Pension Act 2013.	1. 2. 3. 4.	To present a report to the Pension Committee and Pension Fund Board in June 2016 which demonstrates the Fund's compliance with the code of practice and Public Service Pension Act 2013 which will include a detailed plan to ensure any gaps in compliance are closed over an agreed period of time.	A report will be presented to the Pension Committee and Pension Fund Board in June 2017 to review progress made on compliance during 2016-17.
	Ensure Pension Committee, Pension Fund Board and Officers of the Fund have appropriate knowledge to inform and make decisions about the Fund.	3.	To present a revised Knowledge Management Policy to the Pension Fund Board and Pension Committee in June 2016 that supports the CIPFA Skills and Knowledge Framework. Collate a list of relevant training events for members of the Pension Committee and Pension Fund Board to attend that supports the CIPFA Skills and Knowledge Framework.	Provide a report to the Chairman of the Pension Committee and Pension Fund Board at the end of the year on the training attended by their Committee and Board members during the year. List of relevant training events will be an appendix to the quarterly Governance and Legislation report.

Ensuring and maintaining data quality	Review, improve and maintain data quality.	1. 4. 10. 11. 16	To determine compliance with The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014. To be reported to Pension Committee and Pension Fund Board in December 2016. To present a Data Quality Improvement Plan (as per the Pension Regulator's code of practice) to the Pension Committee and Pension Fund Board in December 2016. To continue to reconcile GMP data held by HMRC compared with that held on LGSS Pensions systems. To continue to reconcile the pensioner payroll against Altair pensioner records as a regular and ongoing function.	Regular updates on these activities will be reported in the quarterly Business Plan Update report.
Utilising technological solutions	Utilise Altair to provide self service facilities to scheme members and scheme employers to enable faster and more efficient exchanges of information.	2. 4. 8. 10. 11. 15.	Throughout 2016-17 continually promote Altair Employer and Member Self Service functionality via scheme communications. To provide access to electronic annual benefit statements by 31 August 2016 to all active scheme members (who have not made a positive election to opt out of this service).	Provide an update on a range of measures as to the utilisation of both Member and Employer Self Service in the Business Plan Update report at the end of every financial year.

	Implement and fully exploit Altair Pensioner Payroll and Immediate Payment functionality to achieve cost savings, efficient processes and increased quality of service to scheme members and other stakeholders.	2. 4. 10.	The draft project plan to achieve live Altair pensioner payroll processing by August 2016 is included in appendix 1.	Regular updates on the progress made against the plan will be reported in the quarterly Business Plan Update reports.
	Reduce the reliability on manual functions in favour of automated solutions.	10. 11.	Throughout 2016-17 continue to develop applications that decrease the level of manual intervention and data input and increase accuracy of data supplied by scheme employers. Continue to utilise technology to deliver scheme employer training via the use of webinars to ensure location is not a barrier.	Provide an update on the development of automated solutions in the Business Plan Update report at the end of every financial year.
Utilising collaboration	Proactively participate in the creation of a multi asset pool to meet the government's investment pooling agenda.	10. 19.	Throughout 2016-17 and on-going into 2017-18 LGSS Officers to engage with Officers from other Funds to submit collaborative proposals on asset pool, for consideration by the Pension Committee. The Chairman and Vice Chairman to participate in the governance structure of the new asset pool. Collaboration will be a standing item on both the Pension Committee and Investment Sub Committee agendas.	Progress against the collaborative proposals to meet the government agenda on asset pooling.

	Procurement of actuarial, governance and benefits consultancy service (in conjunction with Northamptonshire Pension Fund to achieve economies of scale).	1. 4. 10.	A detailed plan of key milestones in the procurement process to be presented to the Pension Committee and Pension Fund Board in October 2016.	Progress against the project plan will be reported in the Business Plan Update reports.
Managing risk	Development of a Fund Risk Register that identifies all risks facing the Fund in the short, medium and long term, tracks and highlights movement in risks and links to the Fund's objectives.	1. 2. 4. 5.	To present the Fund's Risk Strategy Policy to the Pension Committee and Pension Fund Board in March 2016 for approval. To present the draft Risk Register to the Pension Committee and Pension Fund Board in June 2016 for approval.	Once the Risk Register has been agreed regular reports will be presented to the Pension Committee and Pension Fund Board as to any changes in risk ratings during the period.
	Managing the risks associated with the increasing volume and diversity of scheme employers and ensures that these risks are reflected in the funding approach for each scheme employer.	2. 4. 5. 6. 7. 8. 9. 17.	Throughout 2016-17: Undertake and progress as appropriate employer covenant monitoring, liability monitoring and employer risk register projects. Review and update admission agreements via a targeted approach. Monitor employers with less than 5 employees to ensure a suitable exit strategy is in place. Monitor employers contract end dates to ensure appropriate arrangements are in place. Ensure appropriate exit strategies are in place for each employer.	Provide an update on these activities to the Pension Committee and Pension Fund Board on an annual basis with effect from March 2017.

Managing Fund performance - administration	Undertake full review of the Administration Strategy to enable a more streamlined approach to managing poor performing employers).	2. 4. 8. 10. 14. 15.	Present the draft Administration Strategy to the Pension Committee and Pension Fund Board in October 2016 for approval.	Delivery of the Administration Strategy following a 30 day consultation period with scheme employers.
	Monitor and improve stakeholder satisfaction.	2. 4. 8. 10. 11. 12. 13. 14. 15. 16.	Obtain Customer Service Excellence Standard. Conduct annual scheme employer and scheme member surveys.	Progress made towards achieving the Customer Service Excellence Standard to be reported biannually via the quarterly Business Plan Update report. Survey results to be reported in the Business Plan Update report following analysis of results.
	Monitor and deliver required levels of administration performance for scheme employers and the service.	2. 4. 8. 10.	Provide an update to the Pension Committee and Pension Fund Board on the progress made against the LGSS Pensions Service Improvement Plan. Measure performance of scheme employers and the service against the KPIs as published in the Administration Strategy. Take action with regards to poor performing scheme employers in line with the Administration Strategy.	Progress made against the Service Improvement Plan to be made biannually via the Business Plan Update report. Performance against the KPIs contained in the Administration Strategy will be reported in the quarterly Business Plan Update report along with any remedial action taken.

Maintaining appropriate cash flow	Ensure employee and employer contributions are received on time for each scheme employer.	16.	Throughout 2016-17 monitor scheme employers' compliance with the Payment of Employee and Employer Contributions Policy.	Statistics on levels of scheme employer compliance with the policy will be included in the quarterly Business Plan Update report.
	Ensure all overpayments of pension benefits are managed in a cost effective and timely manner.	16.	Throughout 2016-17 manage overpayments in accordance with the Overpayment of Pensions Policy.	Regular updates on the recovery of overpayments of pension payments will be reported via the quarterly Business Plan Update report.
Ensuring effective communications	Deliver plain English communications	13.	Produce a plan by June 2016 to obtain the Plain English accreditation.	Report to the Pension Committee and Pension Fund Board via the Business Plan Update report when accreditation has been achieved.
	Deliver effective and timely communications to scheme members and scheme employers, including collaborating with other LGPS Funds where appropriate.	1. 2. 12. 13. 10. 14. 15.	To review and produce a revised Communications Plan for approval at the June 2016 Pension Committee meeting.	Report on the delivery of communications against the plan via the quarterly Business Plan Update reports.
Maintaining long-term Fund solvency	Undertake the 2016 triennial valuation of the Fund.	17 18 19	Adhere to the plan to deliver the valuation as detailed in appendix 2.	Regular updates on the progress made against the plan will be included in the quarterly Business Plan Update reports.

	Regularly monitor the funding level.	17.	Hymans Robertson (the Fund's actuary) produce quarterly Navigator reports that detail the funding level at the end of each quarter.	A summary of these reports will be provided in the Business Plan Update reports (where timing of receipt of report coincides with the Committee cycle).
Maintaining value for money	Demonstrate that the Fund is operating in a manner that achieves value for money.	10.	Financial forecasts to be published in the Annual Business Plan and Medium Term Strategy at the beginning of each financial year for the following three years on both the Fund account and investment and administration expenses. The Fund will continue to use reports provided by State Street to inform on the Fund's investment performance.	Variances against the forecast of investment and administration expenses will be reported in the quarterly Business Plan Update reports. Actual performance of the Fund account and investment and administration expenses to be reported in the Annual Report and Statement of Accounts which is to be presented at the July meeting of the Pension Committee. Quarterly performance reports issued by State Street will form a standing item on the agenda of the Investment Sub-Committee.

Section 5 - Performance Indicators

Detailed below are the Key Performance Indicators that the LGSS Pensions Service will report on during 2016-17 as agreed in the Fund's Administration Strategy.

Function/Task	Indicator	Target
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%
Payment of retirement benefits from active employment.	Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later. First pension paid in the month of leaving or in month of receiving all necessary information if later.	95%
Award dependant benefits.	Issue award within 5 working days of receiving all necessary information.	95%
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information.	90%
Provide transfer-in quote to scheme member.	Letter issued within 10 working days of receipt of all appropriate information.	95%
Arrange for the correct deduction of employee and employer contributions to Pension Fund in a timely manner, providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.	Percentage of employers who pay contributions to the Fund by the statutory deadline of 19th following the month of deduction.	100%
Provide LGSS Pensions Service with accurate year end information in the prescribed format.	Accurate year end information to be provided for all scheme members by 30 April following contribution year end.	100%
Provide LGSS Pensions Service with all necessary information regarding new starters and hours/weeks per year variations in a format acceptable to the Administering Authority.	Accurate information provided within 10 working days of the relevant calendar month end or within 30 days of commencement/change if earlier where employer automatic enrolment duties apply.	95%
Notify the employer and scheme members of changes to the scheme rules.	Within one month of the LGSS Pensions Service being informed of the change.	95%
Issue annual benefit statements to active members as at 31 March each year.	By the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).	100%

Appendix 1-High Level Draft Altair Payroll Project Plan – to enable first live payment at the end of August 2016

Timescales	**Activity**
End February/Early March 2016	Heywood to supply Altair Payroll test environment to LGSS
March 2016	Heywood to produce specification for General Ledger reporting based on LGSS requirements
	LGSS to review and sign off specification
	LGSS to extract initial test data from Oracle to supply to Heywood
April 2016	Heywood to develop General Ledger reporting
	Heywood to map test data from Oracle to Altair Payroll
	Heywood to convert test data into Altair Payroll
	Heywood to test converted data in Altair Payroll
	Heywood to reconcile converted test data
May 2016	Heywood to test General Ledger reporting
	Heywood to load converted data into test environment
	LGSS to test converted data in test environment
	Heywood and LGSS to review converted test data
End May 2016	***contingency for any reprogramming of data conversion***
June 2016	Heywood to add General Ledger reporting functionality to test environment
	LGSS to supply test data from Oracle for parallel running
	Heywood to convert data into Altair Payroll
	Heywood to reconcile converted data
	Heywood to deliver data into Altair Payroll test and live environments
	LGSS to reconcile data in test and live environments
	Training: Parameters and Input
	LGSS to input new pensioner payroll data from 1 June for first parallel run
	LGSS to reconcile first Altair Payroll parallel run against Oracle payroll run
	LGSS to review first Altair Payroll parallel run
	LGSS to process first Altair parallel run
	Training: Calculations, BACS, Pay Advices
July 2016	LGSS to test General Ledger reporting functionality and sign off

	Contingency: Data extraction from Oracle, conversion and reconciliation and delivery to live environment (if required) for second parallel run
End July 2016	LGSS to supply and input data updates for second parallel run
August 2016	LGSS to reconcile, review and process second parallel run
	LGSS to extract data from Oracle for initial live payment
	Heywood to covert and reconcile data for initial live payment
	Heywood to deliver database for initial payment into live environment
	LGSS to reconcile live data supplied by Heywood
	LGSS to input data updates, reconcile and process live payment
September to December 2016	Merging of Altair Payroll database with Altair Admin database

Appendix 2 – Draft 2016 Valuation Process Plan

Timescales	Activity	How and by who the work is to be carried out
February 2016	Valuation Training	Provided to the Pension Committee, Pension Fund Board and LGSS Officers.
March 2016	Identify the basis for the Fund's Councils' modelling and stabilisation analysis proposals	Head of Pensions and Employer Services and Systems Manager to confirm, with the scheme actuary, the basis on which this modelling should be carried out.
	Undertake work on employer risk profiling / categorisation and employer database	Scheme Actuary to carry out a broad assessment of scheme employers and provide an Employer database and risk register to the Employer Services and Systems Manager for review and amendment as necessary.
April 2016	Pre meeting between the Chair of the Pension Fund Committee and the scheme actuary	Head of Pensions and Employer Services and Systems Manager to facilitate a valuation pre meeting between the Committee Chair and the scheme actuary.
	Present an outline of the valuation cycle to employers	Employers to be made aware of the general time table for the valuation cycle at the next Employer Forum which has been scheduled for the 22nd April. This is being overseen by the Employer Services and Systems Manager.
		County and District Council Chief Financial Officers to be presented with the general time table at a CFO's meeting, by the Head of Pensions and the scheme actuary.
June 2016	Presentation of a report to Pension Committee addressing the results from Councils' modelling and stabilisation analysis	Head of Pensions to present the results to the Pension Fund Committee. There will be a requirement for the Committee to make a decision on the contribution strategy for the individual employers with historic stabilised contribution rates.
	Present papers on the various actuarial assumptions used for the valuation.	The Head of Pensions will present papers to the Pension Committee regarding the impact that adjustments to the different actuarial assumptions will have on the valuation results.
	Determine treatment of employers with no active members	Pension Fund Committee to decide whether to continue with or disband the "No Actives Pool" with a recommendation from the Head of Pensions.

	Funding Strategy Statement template to be amended based on guidance from CIPFA	The Scheme Actuary will make the required changes based on CIPFA guidance and the Funding Strategy Statement will be drafted as a result.
June/July	LGSS Pensions to provide data to the Actuary	Financial and Membership data extracts to be provided to the Scheme Actuary by the end of June and July respectively. This process will be overseen by the Employer Services and Systems Manager.
October 2016	Receipt of whole Fund results including like for like comparison to previous years	A Whole Fund Valuation report will be provided to officers by the Scheme Actuary and a paper presented to the Pension Fund Committee.
	High level results of employer contribution strategy	A report will be provided to officers by the Scheme Actuary and a paper presented to the Pension Fund Committee.
	Present draft Funding Strategy Statement to Pension Committee and seek approval to consult with scheme employers	The Funding Strategy Statement will be drafted by the Scheme Actuary in partnership with the Employer Services and Systems Manager. This will then be presented to the Pension Fund Committee by the Head of Pensions.
	Employer consultation on the agreed Funding Strategy Statement	Employer Services and Systems Manager to oversee consultation on the Funding Strategy Statement. Employers will be informed of the consultation via e-mail and through the Pension Fund Website.
December 2016	Outcomes from Scheme Advisory Board valuation benchmarking exercise to be released	The findings from the Scheme Advisory Board benchmarking exercise will be released comparing Funds on a like for like basis. If any of the findings affect the Fund, officers will produce a report making recommendations for appropriate amendments to any Committee decisions that effect the outcome of the valuation.
	Confirm ComPASS modelling outcomes for non-council employers	Report to be provided to officers by the Scheme Actuary and a paper presented to the Pension Fund Committee.
	Final valuation results to be issued, including employer proposed rates and identification of employers who will potentially want to negotiate a different contribution rate.	Valuation results to be provided to officers by the Scheme Actuary and a report will be presented to the Pension Fund Committee.
	Finalise Funding Strategy Statement following consultation results	A report will be presented to the Pension Fund Committee, including results of the consultation and a proposed final draft of the Funding Strategy Statement. The Committee will need to approve the final Funding Strategy Statement.
January	Employer Engagement following the results of the	An employer forum will be held following the issue of individual employer

2017	valuation	valuation results and draft contribution rates.
January 2017 to March 2017	Negotiations with individual employers over their proposed contribution rates	The Employer Services and Systems Manager will be responsible for engaging with employers wishing to negotiate their proposed contribution rates.
March 2017	Individual employer contribution rates finalised	The Scheme Actuary will produce the finalised rates and adjustments certificate following negotiations with individual employers once they have been concluded and a paper will be presented to the Pension Fund Committee.

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Employer Admissions and Cessations Report**
Purpose of the Report	**To report the admission of one scheduled body, one designating body and four admission bodies to the Cambridgeshire Pension Fund.** **To seek approval for the admission of one admission body to the Cambridgeshire Pension Fund.** **To further report on the cessation of one employer from the Fund.**
Recommendations	**That the Pension Fund Committee** **1) notes the admission of the following scheduled body to the Cambridgeshire Pension Fund:** • Spring Common School **2) notes the admission of the following designating body to the Cambridgeshire Pension Fund:** • Bar Hill Parish Council **3) approves the admission of the following admission body to the Cambridgeshire Pension Fund:** • VISIT Cambridge and Beyond 4) **notes the admission of the following admission bodies to the Cambridgeshire Pension Fund:** • Easy Clean Contractors Ltd (Fordham Primary School) • Aspens Services Ltd (Huntingdon Primary School) • Aspens Services Ltd (Hemingford Grey School) **5) notes the cessation of the following body:** • Easy Clean Contractors Ltd (Fenstanton School)
Enquiries to:	Mark Whitby, Head of LGSS Pensions Service Tel – 01604 368502 E-mail – mwhitby@northamptonshire.gov.uk

1. Background

1.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.

1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Committee.

2. New Scheduled Body

2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes "a proprietor of an Academy" as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.

2.2 The Pensions Committee is asked to note that Spring Common School became a new scheme employer, in the Cambridgeshire Pension Fund, as a result of conversion to Academy status on 1st January 2016.

3. New Designating Body

3.1 Regulation 3 (1) of the Regulations provides for a person who is employed by a body listed in Part 2 of Schedule 2 and is designated, or belongs to a class of employees that is designated by the body to be an active member of the Local Government Pension Scheme.

3.2 The designating body has to pass a resolution to designate employees as being eligible for membership of the Local Government Pension Scheme.

3.3 The Pension Committee is asked to note that the following employers are designating bodies by means of being a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 and have passed a resolution to allow employees of the Council to join the LGPS.

Date	New Designating Body
01/12/2015	Bar Hill Parish Council

4. New Admission Bodies

4.1 Paragraph 1of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.

4.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states "*The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations*."

4.3 A body which falls under paragraph 1(a) of Part 3 of Schedule 2 is an admission body that is a body which provides a public service in the United Kingdom which operates otherwise than for the purpose of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest. The committee has discretion over allowing entry to a body that falls under this paragraph.

4.4 The Pension Committee is asked to note that the following have become new admission bodies in the Cambridgeshire Pension Fund under paragraph 1(d)(i).

Date	**New Admission Body**	**Background information**
01/09/2015	Aspens Services (Hemingford Grey)	Cambridgeshire County Council has outsourced its cleaning services in respect of services provided at Hemingford Grey School to Aspens Services and has transferred its cleaning staff as part of this arrangement.
01/09/2015	Aspens Services (Huntingdon Primary)	Cambridgeshire County Council has outsourced its cleaning services in respect of services provided at Huntingdon Primary School to Aspens Services and has transferred its cleaning staff as part of this arrangement.
01/09/2015	Easy Clean (Fordham Primary)	Cambridgeshire County Council has outsourced its cleaning services, in respect of services provided at Fordham Primary School to Easy Clean Contractors Ltd and has transferred its cleaning staff as part of this arrangement.

4.5 The Pension Committee is further asked to approve the following to become an admission body in the Cambridgeshire Pension Fund under paragraph 1(a).

Date	New Admission Body	Background information
01/02/2016	VISIT Cambridge and Beyond	Visit Cambridge and Beyond has become a new employer formed out of the tourism department previously held with Cambridge City Council. As a result 16 members of the LGPS have been transferred from Cambridge City Council to Visit Cambridge and Beyond. Cambridge City Council has provided a guarantee in respect of this admission which satisfies the requirements of the Fund's Admissions policy. In these circumstances it is usual for the committee to accept such an admission.

5. Cessations

5.1 Easy Clean were admitted to the Fund under a pass through admission agreement on 1 August 2013 as a result of a contract to provide cleaning services at Fenstanton School which resulted in the transfer of Cambridgeshire County Council employees, to Easy Clean under TUPE arrangements. The admission agreement has now ceased due to the last active LGPS member under this contract ceasing employment on the 3 July 2015. All employee and employer pension contributions owing to the Fund have been paid. As a pass through admission all liabilities will pass back to the ceding employer, Cambridgeshire County Council and so there is no cessation payment to be made.

6. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.

7. Finance and Resources Implications

7.1 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer.

7.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.

8. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
Future pension liabilities that cannot be supported	There is a Secretary of State guarantee if an academy fails.	Green

by an academy.		

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

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

9. Communication Implications

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

10. Legal Implications

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

11. Consultation with Key Advisers

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

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

12. Alternative Options Considered

12.1 None available.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 12/2/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

CAMBRIDGESHIRE PENSION FUND

Pensions Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Governance and Legislation Report**
Purpose of the Report	To provide the Pension Committee with: 1) Information on issues concerning the governance of the Local **Government Pension Scheme (LGPS) on a national and local basis;** **2) Information on new or amending legislation affecting the LGPS;** **3) Details of relevant consultations affecting the LGPS; and** **4) Details of forthcoming training events.**
Recommendations	**That the Pensions Committee notes the content of the report.**
Enquiries to:	Name: Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1 Background

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

2. Governance – Activity of the LGPS Scheme Advisory Board

2.1 Appointment of Scheme Advisory Board Chairman

2.1.1 The LGPS Scheme Advisory Board (SAB) has been notified that the Secretary of State has appointed Councillor Roger Phillips, a lead LGA member on workforce and pay negotiations, to the position of Chair.

2.1.2 Councillor Phillips is currently vice chairman of the Board, has chaired the UK Local Government Pensions Committee (LGPC) for the last two years. He is a member and former leader of Herefordshire Council and chaired the LGPS2014 Project Board.

2.2 Queen's Counsel opinion on status of local pension boards

2.2.1 At the 25 January 2016 meeting of the Scheme Advisory Board of England and Wales, the Queen's Counsel opinion of the status of local pension boards within local authorities was considered. Whilst the detail of the opinion has not been made publically available it has been reported that there may be some implications for the instances where a fund has set up a joint committee and board. In the meantime, the Scheme Advisory Board guidance on the creation and operation of local pension boards is being reviewed in line with the Queen's Counsel opinion.

3. Governance – Activities of the Pensions Regulator

3.1 The Pensions Regulator – Annual Benefit Statements

3.1.1 All LGPS funds have a statutory requirement to produce an Annual Benefit Statement to all active scheme members by 31 August each year. Last year a large number of funds were unable to produce benefit statements by this date largely due to the quality and timeliness of data being supplied by the scheme employers. The Pensions Regulator has been in contact with a number of funds who reported their inability to meet this statutory requirement (considered by the Pensions Regulator as a breach in the law) to discuss improvement plans to enable these funds to meet the statutory deadline this year.

3.1.2 The Pensions Regulator has reported that they have received a number of high quality improvement plans that they are considering sharing with the rest of the LGPS community, via the LGA, subject to approval of the funds concerned.

3.1.3 The Pensions Regulator has recognised the problems most funds have had with receiving timely and accurate data from scheme employers. Although the Pensions Regulator's powers under the Public Service Pension Act 2013 do not extend to scheme employers he is considering producing guidance on the expectations on scheme employers to enable scheme managers (administering authorities) to fulfil their statutory obligations. Should the Pensions Regulator determine that this guidance is appropriate it will be issued in Spring 2016.

3.2 The Pensions Regulator survey of public service pension schemes

3.2.1 The Pensions Regulator conducted a survey of all public service pension schemes between July and September 2015 to ascertain their compliance with Code of Practice. The results of which have now been published. A separate report detailing the Pensions Regulator's findings is to be presented at the March 2016 meeting of the Pension Committee.

3.3 Her Majesty's Treasury – good record keeping

3.3.1 Alongside the Pensions Regulator's interest in good record keeping, Her Majesty's Treasury are in the process of scoping a project on public service pension schemes record keeping. The Pension Committee will be updated on this project once further information is received.

4. Legislation

4.1 Revaluation of Local Government Pension Scheme Pensions

4.1.1 On 13 October 2015 it was reported that the September 2015 Consumer Price Index (CPI) was a negative value of -0.1%. The Public Services Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order, that provides for the rate of revaluation of the CARE element of Public Service Pensions, must be approved by both the House of Commons and the House of Lords for it to become law; this is referred to as the affirmative procedure.

4.1.2 On 2 February 2016 a written ministerial statement was made to the House of Lords to proceed with the negative revaluation of LGPS CARE pension accounts for those with active membership in the 2015-16 scheme year. The negative order now must be debated and approved by parliament before the final version of the order can be issued. The date that this will be debated has not yet been confirmed.

4.1.3 Should the order become law, it is understood that negative revaluation (of minus 0.1%) will be applied to the following;

- active pension accounts
- any intervening periods between aggregated periods of membership where the break was less than 5 years
- deferred and retirement accounts where the member ceased to be an active member between 1 April 2015 and 31 March 2016
- partners' and children's pension accounts where an active member died in service between 1 April 2015 and 31 March 2016
- partners' and children's pension accounts where an active member became a deferred member between 1 April 2015 and 31 March 2016 and died in the same year
- partners' and children's pension accounts where an active member became a pensioner member between 1 April 2015 and 31 March 2016 and died in the same year

4.1.4 The question of whether a negative revaluation of pension would result in unauthorised pension payments for those members who ceased active membership during 2015-16 and who are drawing their pension has been raised with HM Treasury, and this has yet to be answered. Should negative revaluation prove to trigger unauthorised payments, then tax charges would arise for both the scheme and the scheme member; it is assumed that this is not the Government's intention, but may require legislative change to be avoided.

4.1.5 There will be no impact on Final Salary linked benefits. Those with deferred benefits that left prior to 1 April 2015, those in receipt of Final Salary linked pensions and those that retired with a CARE pension prior to 1 April 2015 will not have their pensions reduced, but neither will they see an increase, since there will be no Pensions Increase (Review) Order coming into force in April 2016.

4.2 Other legislation

4.2.1 The following legislation has been issued that may have an impact on LGPS member benefits;

Legislation	Outline/Relevance to the LGPS

The Transfer of Functions (Pensions Guidance) Order 2015
 	
http://www.legislation.gov.uk/uksi/2015/2013/contents/made
	Schedule 4 of the Act puts in place the legislation regarding the reforms to the Annual Allowance provisions announced in the July 2015 Budget, Annual Allowance being the mechanism by which the Government seeks to limit tax relievable pension saving.
	The legislation:
	• Aligns Pension Input Periods, the periods each year over which pension saving is tested against the Annual Allowance, with tax years from 2016/17
	• Provides transitional arrangements for 2015/16 due to the shift in Pension Input Periods, in the LGPS these ran from 1 April to 31 March but this year will run from 1 April 2015 to 5 April 2016 in the vast majority of cases
	• Introduces tapered Annual Allowance for "high income individuals" from 6 April 2016, i.e. if both:
	  ○ their 'threshold income' exceeds £110,000, and
	  ○ their 'adjusted income' for the tax year exceeds £150,000,
	then these individuals will have the standard Annual Allowance of £40,000 reduced (to no less than £10,000) based on a reduction of £1 for each £2 that their 'adjusted income' for the tax year exceeds £150,000.

5. Consultations

5.1 Asset pooling in the LGPS

5.1.1 As detailed in the previous Governance and Legislation report, in the July Budget 2015, the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

5.1.2 Administering authorities were invited to submit proposals for pooling which the Government will assess against published criteria by 19 February 2016.

5.1.3 The Cambridgeshire Pension Fund submitted a joint response with the other 9 funds that it proposes to pool with.

5.1.4 Also on 25 November the government released a consultation on proposed "backstop" legislation that would require those administering authorities who do not come forward with sufficiently ambitious proposals to pool their assets and to introduce a power for the Secretary of State to intervene in the investment function of an administering authority where it has not had sufficient regard to guidance published by the Secretary of State on the criteria for pooling.

5.1.5 The consultation also recognised that existing regulations place restrictions on certain investments that may, if left unchanged, constrain authorities considering how best to pool assets. Comments were invited on proposed changes to these regulations.

5.2 Public sector exit payment recovery regulations

5.2.1 On 20 December 2015, the government released a short consultation on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015, which will allow for the recovery of exit payments when an individual earning in excess of £80,000 per annum returns to the public sector within a year of leaving their previous employment from which they received an exit payment.

5.2.2 The Government has modified some elements of their proposal since it was last consulted on. These changes include bringing into scope those that re-enter a different part of public service from that which they left, reducing the minimum salary at which the provisions apply from £100,000 to £80,000 per annum, tapering the amount to be repaid relative to the length of break between employments and employer pension strain costs are now being included as part of the exit payment that is subject to the recovery provisions.

5.2.3 The consultation closed on 25 January 2016 and further information can be found at the following link:

https://www.gov.uk/government/consultations/public-sector-exit-payment-recovery-regulations

5.2.4 As the legislation has no direct impact on the Fund, LGSS Pensions Service did not respond to the consultation, however there was input to the response that was made by LGSS HR on behalf of the County Council as an employing authority.

5.3 Reforms to public sector exit payments

5.3.1 On 5 February 2016, HM Treasury released a public consultation on reforms to public sector exit payments. This follows the announcement in the Spending Review and Autumn Statement 2015 that the government will continue to modernise the terms and conditions of public sector workers by taking forward targeted reforms in areas where the public sector has more generous rights than most of the private sector. As part of this the government committed to consulting on further cross-public sector action on exit payment terms to reduce the costs of redundancy payments and ensure greater consistency between workers.

5.3.2 The consultation sets out the options to make public sector exit compensation terms fairer, more modern and more consistent as follows;

- Setting the maximum tariff or calculating exit payments at 3 weeks' pay per year of service
- Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.
- Setting a maximum salary for the calculation of exit payments (possibly £80,000)
- Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong or could belong in that employment.
- Reducing the cost of employer-funded pension top-up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them and/or increasing the minimum age at which employee is able to receive an employer funded pension top up.

5.3.3 Subject to the outcome of this consultation, the government would look to departments responsible for the main public service workforces to negotiate and agree reforms, and then implement them, including where applicable through changes to secondary regulations. The government would also consider setting a reform framework in future primary legislation depending on progress in implementing the reforms.

5.3.4 LGSS Pensions Service will be working with LGSS Human Resources to provide a full response to HM Treasury on behalf of the County Council as the employing authority. The closing date for responses is the 3 May 2016. The full consultation can be found at the following link;

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

6. Training Events

6.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pensions Committee to maintain the necessary skills and knowledge to undertake their role effectively.

6.2 In order to facilitate the acquisition of skills and knowledge, **Appendix 1** lists all events that are deemed useful and appropriate.

6.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.

7. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

8. Finance & Resources Implications

8.1 There are no significant financial and resource implications as a result of the contents of this report.

9. Risk Implications

a) Risk(s) associated with considering this report

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

b) Risk(s) associated with not considering this report

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

10. Communication Implications

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

11. Legal Implications

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

12. Consultation with Key Advisers

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

13. Alternative Options Considered

13.1 There are no alternative options to be considered.

14. Background Papers

14.1 None

15. Appendices

15.1 Appendix 1 - List of training events/conferences

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 17/2/2016
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Appendix 1

Internal/External training and events 2016-17

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

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

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

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Pension Overpayment Report**
Purpose of the Report	To provide the Pension Committee with; 1) Details relating to overpayments that have occurred; and 2) An analysis of action taken and current position.
Recommendations	**That the Pension Committee notes the content of the report.**
Enquiries to:	Jo Walton – Governance and Regulations Manager, LGSS Pensions Service Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1 Background

1.1 This is a standing item that reports the overpayments of pension that have occurred during the reporting period and the relevant actions that have been taken.

1.2 The report details all the overpayments of pension for the period 1 November 2015 to 31 December 2015.

1.3 The overpayments of pension and the respective action taken with them is a statutory requirement for inclusion in the Fund's Annual Report.

2. Overpayment analysis for this reporting period

2.1 There were 42 scheme members that died during the reporting period and the date of notification to the Fund resulted in an overpayment of the late members' pension. The total value of these overpayments was £6,876.38 of which £4,278.83 remains outstanding and £2,597.55 was written off due to the individuals' overpayment being less than £250. Invoices have been raised for the 4 cases pending recovery.

2.2 One overpayment that occurred during this period was due to a child's pension not being assessed for continued eligibility at the appropriate time. A letter was sent requesting evidence of the child remaining in full time education but this was not responded to so the pension was suspended. The value of the potentially overpaid pension is £597.62 and an invoice has been raised. If the individual produces evidence of full time education during the 28 days the debt will be null and void.

2.3 The information in 2.1 and 2.2 is summarised in the following table:

Overpayment Type	Action	Amount	Total
Retirement	Written off	£0	£0
	Recovery	£0	
	Recovered	£0	
Death of a Pensioner /Dependent	Written off	£2,597.55	£6,876.38 (42 Cases)
	Recovery	£4,278.83	
	Recovered	£0	
Eligibility of a child's pension ceases	Written off	£0	£597.62 (1 case)
	Recovery	£597.62	
	Recovered	£0	

3 Overpayment analysis on previous reporting periods

3.1 For the period 1 April 2015 to 31 July 2015 three further overpayments have been recovered equating to £1,916.34 (the value of £2,451.86 was previously recovered).The outstanding balance for this period is £805.90 (2 cases) and the recovery of this amount will continue to be managed through the LGSS Debt Management Team.

3.2 For the period 1 August 2015 to 31 October 2015 there were six overpayments due for recovery with a combined value of £3,495.58. To date these all remain outstanding and will continue to be managed through the LGSS Debt Management Team.

4. Consolidated analysis for the period 1 April 2015 to 31 December 2015

4.1. The total monies outstanding for the period 1 April 2015 to 31 December 2015 stands at £9,177.93. The total amount recovered for this period is £4,368.20.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

6. Finance & Resources Implications

6.1 The inability to recover monies due to the Fund.

7. Risk Implications

7.1 The inability to recover monies due to the Fund.

8. Communication Implications

Website	All overpayments of pension and the associated success and failure to recover will be reported in the Fund's Annual Report which will be published on the LGSS Pensions Service Website by 30 November each year.

9. Legal Implications

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

10. Consultation with Key Advisers

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

11. Alternative Options Considered

11.1 There are no alternative options to be considered.

12. Background Papers

12.1 None

13. Appendices

13.1 None

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 26/1/2016
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

CAMBRIDGESHIRE PENSION FUND

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Cambridgeshire Pension Fund Risk Strategy 2016**
Purpose of the Report	**To present the Risk Strategy to the Pension Committee.**
Recommendations	**The Committee are asked to approve the attached Risk Strategy.**
Enquiries to:	**Name – Joanne Walton – LGSS Pensions Governance and Regulations Manager** **Tel – 01604 367030** **E-mail – jwalton@northamptonshire.gov.uk**

1. Background

1.1 Good governance ensures that the Fund has an appropriate Risk Strategy which details the Fund's approach to managing risk. It outlines the risk philosophy, how risk management is implemented, responsibilities, procedures and internal controls to ensure risk is identified, analysed, controlled and monitored effectively.

2. CIPFA and the Pensions Regulator's Requirements

2.1 CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

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

3 The Cambridgeshire Pension Fund Risk Management Process

3.1 Cambridgeshire Pension Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities.

3.2 The process involves identifying risk and looking at being proactive and reactive; looking for potential risks and by learning from past experiences. Risks can be identified through a number of means such as monitoring against the Fund's business plan. Once the potential risks have been identified, the next stage is to analyse and profile each risk. Risks are assessed by considering the likelihood of the risk occurring and the effect if it does occur, the risk rating and controls in place will be summarised on the risk register using a heat pad method.

3.3 Controlling the risks requires continual review to determine whether any further action is required such as the likelihood of a risk decreasing. The Pensions Committee will need to consider matters such as whether desirable outcomes have been achieved and whether any lessons are to be learned during the monitoring process.

3.4 Officers are responsible for ensuring the Cambridgeshire Pension Fund Risk Management process is carried out, subject to the oversight of the Pensions Committee and Pension Fund Board. It is the role of the Pensions Committee to control and monitor the risk and ascertain whether any further action is required from updates and recommendations made by Officers.

4. Next steps

4.1 Following approval of the strategy which can be found in **Appendix 1**, Officers of the Fund will update the risk register and present to Pensions Committee for approval. The risk register will be presented in its entirety via the heat pad model to show the Committee all current risks to the Fund and the threat they pose.

4.2 The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee. The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

5. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology and partnership working.

Perspective	Outcome
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

6. Finance & Resources Implications

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

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Strategy are	Updates to the Committee/Board. Officers aware of the importance of risk management.	Amber

not delivered. Changes in Pension Committee and/or Pension Fund Board membership and/or senior Officers mean key risks are not identified due to lack of knowledge. Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks. Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls. Lack of engagement or awareness of external factors means key risks are not identified. Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately.	Succession planning, Knowledge Management Policy in place to ensure a vast amount of knowledge across the Committee/Board. Resource planning i.e. holidays, system downtime where applicable. Knowledge Management Policy in force to ensure appropriate knowledge for each member. Professional qualifications, internal/external training, working groups. Conflicts of interest are managed appropriately.	

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

Risk	**Risk Rating**
If the Fund does not have a Risk Strategy the Fund will have significant lack of understanding and control on the potential risks affecting the Fund.	Red

8. Communication Implications

Direct Communications	The Risk Strategy will be presented to Committee for approval.
Website	The Risk Strategy will be published on the LGSS Pensions Website

9. Legal Implications

9.1 Not applicable

10 Consultation with Key Advisers

10.1 Officers consulted with Aon Hewitt for advice on the draft strategy.

11. Alternative Options Considered

11.1 There are no other options to consider.

12. Background Papers

12.1 Not applicable

13. Appendices

13.1 Appendix 1 – Risk Strategy 2016

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 08/02/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Risk Strategy
2016

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1. Introduction

1.1 This is the Risk Strategy of the Cambridgeshire Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Cambridgeshire County Council ("the Administering Authority"). The Risk Strategy details the Fund's approach to managing risk including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund

2. Strategy objectives

2.1 In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

2.2 To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

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3. Purpose of the strategy

3.1 The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

3.2 The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

4. Effective date

4.1 This policy was approved by the Pension Committee on XX and is effective from XX.

5. Review

5.1 It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

6. Scope

6.1 This Risk Strategy applies to all members of the Pension Committee, the Investment Sub-Committee and the Pension Fund Board, including scheme member and employer representatives. It also applies to officers involved in the management of the Fund including the Chief Finance Officer (Section 151 Officer) and the Head of Pensions.

6.2 Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee and Sub-Committee members and Board members as required, in meeting the objectives of this Policy.

7. Risk Management Philosophy

7.1 The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in

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selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

7.2 In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, further joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

7.3 The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

8. CIPFA and the Pensions Regulator's Requirements

8.1 CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

8.2 The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

"249B Requirement for internal controls: public service pension schemes

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and

(b) in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks, and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

8.3 The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Strategy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

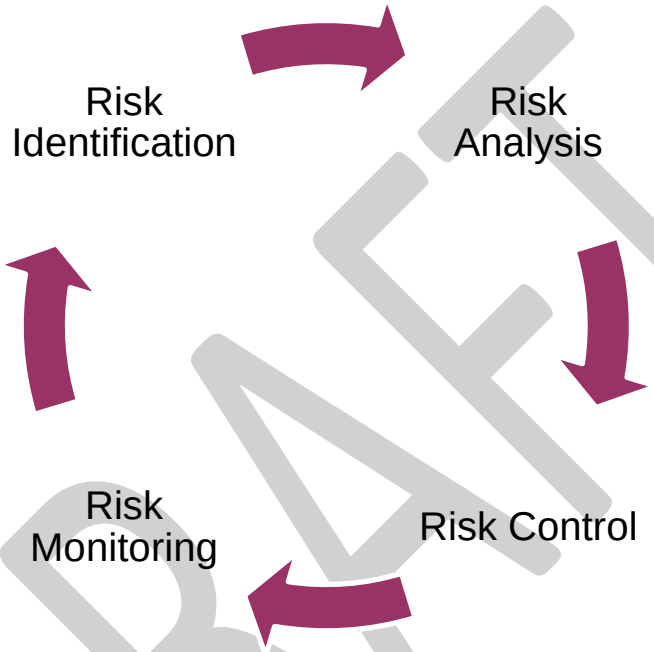
9. Responsibility

9.1 The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the officers are responsible for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee and Pension Fund Board.

However, it is the responsibility of each individual covered by this Strategy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

10. The Cambridgeshire Pension Fund Risk Management Process

10.1 The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



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10.2 Risk identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises overseen by the Pension Committee and Pension Fund Board
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund

- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

10.3 Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

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

Likelihood of risk occurring

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

10.4 Risk control

The Governance and Regulations Manager will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood

of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

10.5 Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

11. Reporting and monitoring

11.1 Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Committee.

The Pension Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

As a matter of course, the Pension Fund Board will be provided with the same information as is provided to the Pension Committee (or Investment Sub-Committee as appropriate) and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Strategy on an annual basis taking into consideration any feedback from the Pension Fund Board.

12. Key risks to the effective delivery

12.1 The key risks to the delivery of this Strategy are outlined below. The Pension Committee will monitor these and other key risks and consider how to respond to them following updates and recommendations from officers.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Committee and/or Pension Fund Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

13. Costs

13.1 All costs related to this Risk Strategy are met directly by the Fund.

14. Further information

14.1 For further information about anything in or related to this Risk Strategy, please contact:

Jo Walton
Governance and Regulations Manager
LGSS Pensions Service
E-mail jwalton@northamptonshire.gov.uk

Telephone 01604 367030

14.2 Further information on the Cambridgeshire Pension Fund can be found on the LGSS Pensions Service website;

http://pensions.cambridgeshire.gov.uk

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CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 24 March 2016

Report by: THE HEAD OF AUDIT & RISK MANAGEMENT

Subject:	**Internal Audit Update and Plan 2016-17**
Purpose of the Report	**To brief members on 2015-16 audit progress and Internal Audit work planned for 2016-17.**
Recommendations	**That members note the audit work undertaken and approve the plan of Internal Audit work 2016-17, as outlined in sections 3 and 4 of this report.**
Report Author and Enquiries to:	**Paul Clarke, Audit and Risk Manager, LGSS Internal Audit** **Tel: 01604 367130** **Email: pclarke@northamptonshire.gov.uk**

1. Summary of Report

1.1 The report describes the internal audit work undertaken and in progress, covering process convergence and the adequacy of design and implementation of controls for the administration of the Pensions Services of Cambridgeshire and Northamptonshire.

1.2 It proposes a further review and compliance testing in 2016-17 to provide on-going assurance and support the opinion work of the external auditors.

2. Background

2.1 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.

2.2 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.

2.3 As the processes of the LGSS Pension Service at Cambridgeshire and Northamptonshire have converged, the work of Internal Audit has been adapted to take account of the opportunity for a more efficient audit.

3. Audit Work Undertaken

3.1 We completed and reported to management our review of the design and operation of controls in the converged processes being shared by Cambridgeshire and Northamptonshire for 2014-15. The final report was issued and the results were shared with the external auditors to support their work on the financial statements and reported to this committee in June 2015. Whilst the testing did identify some cases of non-compliance, we were satisfied overall with the design and application of controls. Based upon this we gave a substantial assurance opinion and agreed an action plan to strengthen further the controls and improve compliance. The results in each process area are summarised in the following table:

Process Area	**CPS 2014-15**
New members	Moderate
New pensioners	Substantial
Deferred pensioners	Substantial
Transfers in	Substantial
Transfers out	Substantial
Contributions	Moderate
Reconciliations	Moderate
Systems and User Access	Substantial
Overall Level of Assurance	**Substantial**

3.2 The implementation of the agreed actions arising from our 2014-15 report has been monitored during the year and we have received confirmation that all actions have been implemented. Effective implementation will be verified as part of the 2015-16 audit.

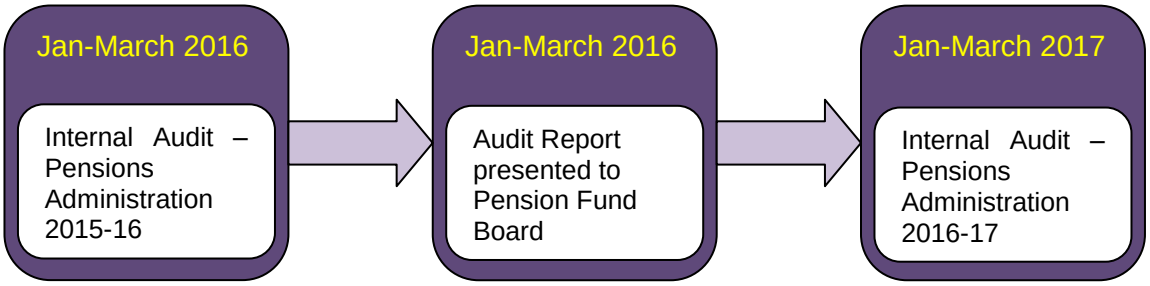
3.3 The 2015-16 audit is currently being undertaken. This will assess the design and operation of controls covering the administration of both the Cambridgeshire and Northamptonshire Pension Schemes. Testing is designed to provide management with reasonable assurance that there are appropriate controls in place to effectively mitigate the following risk areas:

- Risk 1 – Pension payments are not made in accordance with the LGPS and council policy (including rates, annual uplift, lump sums, pensions, deferred pensions, early retirements, annual pension statements);
- Risk 2 – Pension payments are not recorded properly and not accounted for correctly;

- Risk 3 – New members are not set up on a timely basis and do not receive appropriate information;
- Risk 4 – Contributions and accompanying schedules are not received on time or are not correct; (includes employee and employer contributions and additional contributions from all scheme employers);
- Risk 5 – Transfers in and out of the scheme are not subject to appropriate checks and authorisation;
- Risk 6 – Reconciliations are not completed i.e. between Altair and Oracle and also for the Pensions bank account;
- Risk 7 – Performance of the service provided is not monitored and reviewed;
- Risk 8 – User access is not reviewed and so staff may have inappropriate access to the pensions system.

3.4 Fieldwork should be completed by late March. This work includes a follow up of the agreed actions from the above report to ensure that adequate action has been undertaken. The finalised results of this audit will be reported to the June meeting of this Board and will also be shared with external auditors to support their work.

Timetable of Internal Audit testing and reporting



4. Audit Plan 2016-17

4.1 An annual audit of the administration of the LGSS Pension Service will be undertaken during 2015-16. This will provide an independent opinion on the management of risks relating to the operation of the LGSS Pension Service. The audit will take advantage of the converged approach to the administration of pensions for Cambridgeshire and Northamptonshire and undertake both audits together. This creates some time efficiencies for the audit and the budget for the combined audit is 35 days.

4.2 The testing will be designed to satisfy the requirements of Cambridgeshire external auditors (BDO) and Northamptonshire external auditors (KPMG). It will cover the following:

1) Follow-up of prior year items from internal audit report
2) Annual Pensions uplift
3) Joiners to scheme
4) New Pension Payments (mix of ill-health, early and normal retirements).
5) Transfers In
6) Transfers Out
7) Death Benefits
8) Scheduled / Admitted bodies –contributions
9) Pensions Data

4.3 Testing will be undertaken in the final quarter of the financial year to give assurance on the operation of controls across the whole period.

4.4 The external auditors undertake detailed reviews of the Pension Investment function each year. It is not therefore proposed to undertake an internal audit of this function in 2016-17.

Altair Payroll System

4.5 In addition to the above annual audit, there is additional risk this year relating to the move from Oracle to the Altair payroll system. This is due to be implemented by August 2016. We will undertake an additional audit of this project to provide assurance that the risks in the project are effectively managed and that the design of controls for the new system is adequate. Testing of the application of the new controls will then form part of the annual audit.

5. Relevant Pension Fund Objectives

5.1 The audit work undertaken will be designed to support the Pension Service in achieving its objectives through the effective management of risk. The work therefore supports all of the outcomes of the Pension Service.

Perspective	Outcome
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.

6. Finance & Resources Implications

6.1 Provision has been made within the LGSS Audit Plan to undertake the work planned in 2016-17.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The audit work may identify significant weaknesses with potential for reputational damage to the Pension Service.	A process is in place for timely and effective response to the findings of internal and external auditors.	Green

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

Risk	Risk Rating
Unmitigated risks to the objectives of the Pension Service are not identified and addressed. The legal obligation to ensure internal audit is undertaken would not be met.	Red

8. Communication Implications

Website	The work of auditors will be transparent and will be reported to the Pension Fund Board and published on the internet.

9. Legal Implications

9.1 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 Part Two (5) should make provision for Internal Audit taking into account public sector internal auditing standards.

10. Consultation with Key Advisors

10.1 We will confirm with BDO and KPMG their requirements for internal audit.

11. Alternative Options Considered

11.1 Continue with separate audits as was the case prior of the convergence process. This would be a failure to capitalise on the opportunity to deliver a more efficient and effective service.

12. Background Papers

12.1 Previous reports 23 March 2015 and 26 June 2015.

13. Appendices

13.1 None

Checklist of Key Approvals	
Is this decision included in the Business Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Has this report been cleared by The Head of Pensions?	Mark Whitby – 22/2/2016
Has this report been cleared by the Chief Finance Officer/ Section 151 Officer?	Sarah Heywood – 2/2/2016
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 2/2/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

CAMBRIDGESHIRE PENSION FUND

LGSS

Pension Committee

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Results of the Pensions Regulator's survey of public service governance and administration**
Purpose of the Report	**To inform the Pension Committee of the survey results and the extent to which the Cambridgeshire Pension Fund has achieved compliance with the Pensions Regulator code of practice**
Recommendations	**That the Pension Committee notes the content of the report and approves the proposed course of action to achieve full compliance with the Pensions Regulator's code of practice**
Enquiries to:	**Name: Jo Walton – Governance and Regulations Manager** **Tel: 01604 367030** **E-mail: jwalton@northamptonshire.gov.uk**

1. Background

1.1 Following the introduction of the Public Service Pension Act 2013, with effect from 1 April 2015 the Pensions Regulator became responsible for regulating the governance and administration of public service pension schemes and issued a code of practice for schemes to follow.

1.2 The code of practice sets out the legal requirements and provides practical guidance and standards that the Pensions Regulator expects of those in charge of the governance and administration of public service pension schemes.

1.3 Between July and November 2015 the Pensions Regulator conducted a survey of all public service pension schemes to baseline the standard to which they are being run in accordance with the code of practice.

1.4 It is important to note that participation in the survey was voluntary and that only 48% of schemes responded. Officers of LGSS did submit a response on behalf of the Cambridgeshire Pension Fund.

1.5 The Pensions Regulator will be using the information collected through the survey for regulatory purposes and will develop individual scheme risk profiles.

1.6 The Pensions Regulator has now published the findings from this survey which are detailed in section 2 of this report alongside the level of compliance against the code of practice as demonstrated by the Cambridgeshire Pension Fund.

2. The Pensions Regulator's public service governance and administration survey results

2.1 The survey results show that on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding both the governance and administration requirements introduced by the Acts and the code of practice. The results and the current level of compliance as demonstrated by the Cambridgeshire Pension Fund are detailed below along with the course of action officers will take to reach full compliance.

Survey results	Extent of compliance at Cambridgeshire Pension Fund	Comments
90% have established a pension fund board	Fully complaint	The Cambridgeshire Pension Fund Board held its first meeting on 7 July 2015 and has met again in October and January with the next meeting scheduled for April 2016.
78% have policies to help members acquire and retain knowledge	Fully compliant	Pension Committee - Knowledge Management Policy (2013) in place – to be reviewed and presented to Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Knowledge Management Policy specific to Pension Fund Board members was approved in July 2015 and will be reviewed during 2016-17.
87% have a conflicts policy and procedure for board members	Partially compliant	Pension Committee - Potential conflicts of interest are noted at the beginning of each meeting for non-county councillor representatives. County Councillors declare potential conflicts of interest annually and this is recorded and published by Democratic Services. A Fund specific Conflicts of Interest policy will be presented to the Pension Committee for approval in June 2016.
	Fully compliant	Pension Fund Board – Conflicts of Interest policy established at the October 2015 meeting of the Pension Fund Board.
87% have procedures for publishing information (about the Pension Fund Board)	Not compliant	Information is published about the Pension Fund Board but there is no set procedure in place for doing this. This will be explored during 2016-17.
76% have documented procedures for	Partially compliant	A formal Risk Strategy will be presented at the Pension Committee for approval at the March 2016 meeting.

assessing and managing risk 82% have a risk register 56% assess their risks at least quarterly		A revised and comprehensive Risk Register will be presented for approval at the June 2016 meeting of the Pension Committee. Every report presented to the Pension Committee details the risks associated with undertaking or not undertaking the proposed recommendation(s).
77% have record-keeping policies and procedures for all members	Partially compliant	A formal policy will be developed during 2016-17 following the production of the Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee.
97% have a process for monitoring payment of contributions	Fully compliant	The Payment of Employee and Employer Contributions Policy was approved at the December 2015 meeting of the Pension Committee and will be effective for scheme employers with effect from 1 April 2016.
55% have procedures for identifying and assessing law breaches	Fully compliant	The Reporting Breaches of the Law to the Pensions Regulator Policy was approved at the October 2015 meeting of the Pension Committee.
<50% have reviewed their scheme against the standards (detailed in the code of practice) <33% have a plan in place to secure compliance with the Public Service Pension Act 2013	Not complaint	A full review of the Fund's compliance with the Pensions Regulator's code of practice and the Public Service Pension Act 2013 will be presented to the Pension Committee at the June 2016 meeting.
44% have measured against the record keeping requirements	Not compliant	Although informal measurements have been undertaken a complete assessment will form part of the report to be presented to Pension Committee in December 2016 which will demonstrate the level of compliance with The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
27% have carried out data cleansing	Partially compliant	Pensioner membership data is currently being reconciled as a result of the end of contracting out and to enable a smooth transition from Oracle payroll to Altair payroll in August 2016. The Data Improvement Plan which is to be presented at the December 2016 meeting of the Pension Committee will address how active and

		deferred membership data will be reconciled.

3. The Pensions Regulator's powers in respect of non-compliance

3.1 In June 2015 the Pensions Regulator issued a document entitled "Compliance and enforcement policy for public service pension schemes".

3.2 The policy sets out the Pensions Regulator's expectations for compliance with relevant legal requirements as set out in the code of practice and how the Pensions Regulator will proceed in cases of non-compliance and when it may use its enforcement powers.

3.3 Where the Pensions Regulator identifies non-compliance the initial focus will be on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements.

3.4 Where those responsible for the governance and administration of public service pension schemes fail to address poor standards resulting in non-compliance with the law, the Pensions Regulator may consider escalating their activities and taking enforcement action.

3.5 Depending on the nature of the non-compliance the Pensions Regulator has within its powers the ability to implement the following enforcement action can range from:

3.5.1 Statutory Compliance Notices - in the form of improvement notices which require specific action to be taken within a certain time and third party notices which require specific action to be taken or indeed ceased within a certain time if a contravention of pensions legislation is a direct result of a third party. Non-compliance with a statutory notice may result in a financial penalty.

3.5.2 Civil Penalties – the Pensions Regulator has the power to impose penalties (under section 10 of the Pensions Act 1995) up to the value of £5,000 per breach in the case of an individual and up to £50,000 in any other case.

4. Next steps

4.1 To demonstrate the Fund's compliance with the requirements of the Pensions Regulator and the Public Service Pension Act 2013 a checklist will be produced by officers. The checklist will detail the approach to achieving and maintain compliance and when the levels of compliance will be reviewed. This will be presented to the Pension Committee for approval at the June 2016 meeting.

4.2 All the areas where the Fund has not achieved full compliance has been captured in the key activities in the Business Plan and Medium Term Strategy which is to be presented at the 18 March 2016 meeting of the Pension Committee for approval.

4.3 In addition, the Pensions Regulator will be issuing tools to assist schemes in their assessment of the extent to which they are complying with the code of practice during 2016.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.

6. Finance & Resources Implications

6.1 LGSS Pensions Service should not require any additional resources to carry out the activities detailed in section 2 of this report although advice from the Fund's governance consults may be required from time to time.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with the plans to achieve full compliance with the requirements of the Pensions Regulator's code of practice and the requirements of the Scheme Advisory Board and Public Service Pension Act 2013.	N/A	N/A

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

Risk	Risk Rating
Failing to comply with the requirements of the Pensions Regulator, Scheme Advisory Board and Public Service Pension Act 2013 may result in the Pensions Regulator taking action to improve standards as detailed in section 3 of this report.	Red

8. Communication Implications

Induction	All new Pension Committee and Pension Fund Board members are provided with a copy of the Pensions Regulator's code of practice and associated policies belonging to Pension Committee.
Website	All policies are available on the LGSS Pensions Service website.

9. Legal Implications

9.1 Failing to comply with the Public Service Pension Act 2013 would be regarded as a breach of the law.

10. Consultation with Key Advisers

10.1 Not applicable for this report.

11. Alternative Options Considered

11.1 There are no alternative options to be considered.

12. Background Papers

12.1 The Pensions Regulator Code of Practice

http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx

12.2 Compliance and enforcement policy for public service pension schemes.

http://www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

13. Appendices

13.1 **Appendix 1** Public service governance and administration survey: summary of results and commentary

Checklist of Key Approvals	
Is this decision included in the Business Plan?	
Will further decisions be required? If so, please outline the timetable here	
Is this report proposing an amendment to the budget and/or policy framework?	
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 11/2/2016
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Public service governance and administration survey

Summary of results and commentary

December 2015

The Pensions Regulator

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.

Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.

Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

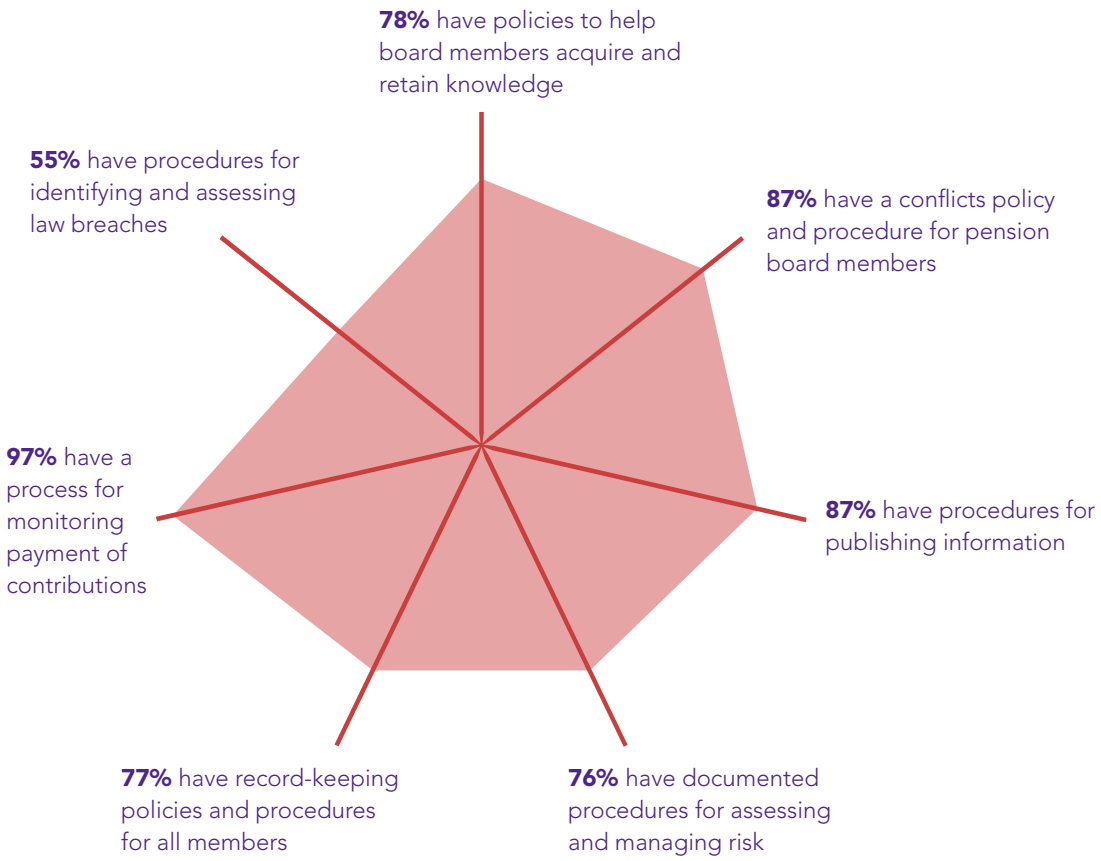
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- 87% of schemes have a conflicts policy and procedure in place for pension board members.
- 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- 76% had documented procedures for assessing and managing risk.
- 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

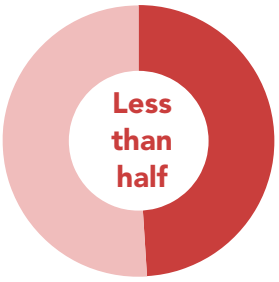
In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.

9/10 have established a pension board



have reviewed their scheme against the standards

Less than a third have a plan in place to ensure compliance with the Public Service Pensions Act 2013

- 44% have measured against the record-keeping requirements
- just over a quarter have done data cleansing

76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.

We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- fulfilled their requirement to register with us
- established their pension board
- published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- assessed themselves against the requirements set out in legislation
- assessed themselves against the standards set out in our code
- identified any gaps
- begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- the effectiveness of these processes and actions in driving good outcomes
- the efficiency and reliability of these processes
- how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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Free online learning for trustees

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Public service governance and administration survey
Summary of results and commentary

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The Pensions Regulator

CAMBRIDGESHIRE PENSION FUND

Pension Fund Board

Date: 24 March 2016

Report by: Head of Pensions

Subject:	**Review of the effectiveness of the Pension Committee and Investment Sub-Committee**
Purpose of the Report:	**To provide feedback on the results from the effectiveness review survey.**
Recommendations:	**That the Committee notes the feedback and approves the plan of action to improve the effectiveness of the Pension Committee and Investment Sub-Committee in the areas identified.**
Enquiries to:	**Name: Jo Walton (Governance and Regulations Manager)** **Tel: 01604 367030** **E-mail: jwalton@northamptonshire.gov.uk**

1. Background

1.1 The need to regularly review the effectiveness of the Pension Committee and Investment Sub-Committee is considered good governance and is undertaken as an annual exercise. In December a survey was distributed to members of the Committee and Investment Sub Committee to complete on how adequate they felt the current arrangements of the respective Committees are.

1.2 The survey consisted of 13 statements and sought feedback in the areas of:

- The running of meetings
- The quality and quantity of information provided
- Pension Fund risks
- Committee fiduciary duties
- Committee member responsibilities
- Training opportunities
- Support from appointed advisors
- Relationship with stakeholders

1.3 Completed surveys were to be returned to LGSS Pensions Service by 31 January 2016 to be included in the final assessment of the results.

2. Response to the review

2.1 The survey to ascertain the view of the Cambridgeshire Pension Committee and Investment Sub-Committee were sent to twenty-four members (including substitutes). Five completed questionnaires were returned.

2.2 The following table details the membership categories from whom completed surveys were received:

Representative:	**No. of completed surveys returned**
Cambridgeshire County Council Members	2
Deferred scheme member representative	1
Active scheme member representative	1
Unknown	1

3. Results of the effectiveness survey

3.1 The survey consisted of 13 statements that participants were asked to provide a rating of between 4 and 1 with 4 being wholly agree and 1, totally disagree. Participants were also encouraged to provide further comments to support the rating they had provided.

3.2 A full analysis of the results of the survey can be found in **Appendix 1**.

4. Conclusions drawn from the effectiveness survey

4.1 The average result for the effectiveness of the Pension Committee and Investment Sub Committee as a whole was 3.25 out of the potential 4 available.

4.2 From an analysis of the ratings and additional comments provided in the survey the following can be concluded that the Pension Committee and Investment Sub-Committee are felt to be particularly effective at ensuring:

- There is sufficient time allocated to agenda items to ensure sufficient discussion and informed decision making;
- There are a sufficient number of meetings for the Pension Committee and Investment Sub-Committee;
- Members of the Pension Committee and Investment Sub Committee are satisfied that matters requiring further clarification after the meeting are dealt with in a timely manner;
- Members of the Pension Committee and Investment Sub-Committee recognise their fiduciary duties to make decisions that are in the best interests of the scheme members.

4.3 The survey also identified a number of areas for improvement, the below table identifies those areas and what course of action will be taken against each one:

Area for improvement	**Concern**	**Proposed course of action**
Members of the Pension Committee and	Members of the Pension Committee and	A Risk Strategy is being presented at the March Pension Committee

Investment Sub-Committee are not satisfied that the risks identified on the covering reports adequately identify the risks involved in taking a particular decision.	Investment Sub-Committee are not given full control to make decisions.	meeting for approval. Following this a revised Risk Register will be presented to the Committee for approval. The Risk Register will provide a more detailed overview of the risks the Fund faces. These risks will be identified through each Committee report whether decision-making or non decision-making.
The Pension Committee and Investment Sub-Committee are not provided with sufficient information in order to make effective and timely decisions at meetings	Reports are of excellent quality but can be too great in terms of volume. Due to the nature of some topics clearer explanation is required to fully understand the key challenges on the Fund to ensure appropriate decisions are made.	The aim of officers of the Fund is to make reports as concise as possible with the key points apparent to the reader. Policies will be streamlined over time when reviewed.
Members of the Pension Committee and Investment Sub-Committee are not able to articulate their responsibilities to the Administering Authority, participating employers and the members of the Pension Fund	Responsibilities of the Committee can be technical and therefore can be difficult to articulate to others. This is also only possible after appropriate training and experience.	The concern is accepted as the Pension Committee does not have a duty to report back to the Administering Authority, scheme members or scheme employers. However, there may come an occasion when a member of the Committee may be asked for a formal comment on their role with regards to the fund's stakeholders and so do need to be able to demonstrate their understanding. The CIPFA Skills and Knowledge Framework which forms part of the Knowledge Management Policy should facilitate this understanding.
The Knowledge and Skills Framework adopted by the Pension Committee and Investment Sub-Committee is not adequate for achieving the required level of knowledge to enable effective decision making	It is felt that the Committee are not given the key decisions to make. These decisions can only be made with appropriate knowledge.	Going forward decision making reports will provide greater explanation of other options available where appropriate. The Knowledge Management Policy will be reviewed in June 2016 to ensure continued relevance.
An adequate number of relevant training events and conferences are not available to support	There may be lots of events and course but not all members attend them.	Officers of the Fund will continue to promote internal and external training events when available and encourage events of particular

learning		interest.
There is not sufficient engagement with stakeholders (e.g. employers and scheme members) by the officers on behalf of the Pension Committee	It is not felt that the Committee is fully aware of current engagement with stakeholders. It would be worth asking stakeholders to establish their views.	The Communication Plan is a Key Fund Activity in the Business Plan. Business Plan Update reports will detail the activity undertaken to engage with scheme employers. With clearer objectives that are actively measured, the Pension Committee will be more aware of the steps taken by officers to engage with scheme employers.

5. Relevant Pension Fund Objectives

Perspective	Outcome
Communications	• Promote the Scheme as a valuable benefit. • Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding. • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits. • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately. • Look for efficiencies in delivering communications including through greater use of technology.
Funding and Investment	• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions. • To ensure that sufficient resources are available to meet all liabilities as they fall due. • To maximise the returns from its investments within reasonable risk parameters.
Governance	• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. • Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Administration	• Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

6. Finance & Resources Implications

6.1 There are no financial or resource implications as a result of accepting the recommendations within this report.

7. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with improving the efficiency of what is already felt to be a very effective Pension Committee and Investment Sub-Committee.	N/A	N/A

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

Risk	Risk Rating
Should the improvements identified in 4.3 not be made in the long term there is potential for the Pension Committee and Investment Sub-Committee to not operate at its maximum efficiency, which could be at the detriment to the Fund and its stakeholders.	Green

8. Communication Implications

8.1 There are no communication implications as a result of accepting the recommendations within this report.

9. Legal Implications

9.1 There are no legal implications as a result of accepting the recommendations within this report.

10. Consultation with Key Advisers

10.1 There has been no consultation with professional advisers in the writing of this report.

11. Alternative Options Considered

11.1 Not applicable.

12. Background Papers

12.1 None

13. Appendices

13.1 Appendix 1 – Results from the effectiveness review of the Cambridgeshire Pension Committee and Investment Sub-Committee.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 2/3/2016
Has this report been cleared by Head of Pensions?	Mark Whitby – 15/02/2016
Has the Chairman of the Pension Committee been consulted?	Councillor Hickford – 2/3/2016
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 7/3/2016

Appendix 1 – Results from the effectiveness review of the Cambridgeshire Pension Committee and Investment Sub-Committee

Key to rating: **1** **totally disagree**
4 **wholly agree**

Statement	Average rating	Additional comments
There is sufficient time allocated to agenda items to ensure sufficient discussion and informed decision making.	**3.6**	• Generally agree BUT meetings are carefully timed on agenda papers but sometimes discussion requires a variation (extension) which is not always possible if the Chairman is committed to finishing the meeting 'on time'. This may result is some items being hurried through.
There are a sufficient number of meetings for the Pension Committee and Investment Sub-Committee?	**3.4**	• As a generalisation there are sufficient meetings but greater flexibility should be built in so that additional meetings between scheduled quarterly meetings could be built in should the need arise. For example in 2015/16 with major reform (pooling of assets etc.) an additional meeting might have been very beneficial.
Members of the Pension Committee and Investment Sub Committee are satisfied that matters requiring further clarification after the meeting are dealt with in a timely manner?	**3.4**	• Not always. It is good that promises are made to keep members appraised of information requested between quarterly meetings but the information is not always circulated
The quality of the Pension Committee and Investment Sub-Committee reports always meet the expected standards?	**3.2**	• Hugely repetitive. Unnecessarily long • Quality excellent but quantity too great. To assimilate 100 + pages in a week before the meeting is too great a requirement
Members of the Pension Committee and Investment Sub-Committee are satisfied that the risks identified on the covering reports adequately identify the risks involved in taking a particular	**3**	• Members of the Pension Committee and Investment Sub-Committee are led by the nose and given only an illusion of power. We do as we are told.

decision?		
The Pension Committee and Investment Sub-Committee are provided with sufficient information in order to make effective and timely decisions at meetings?	**3**	• Any dissent is buried under a welter of technicalities • Quality excellent but quantity too great. To assimilate 100 + pages in a week before the meeting is too great a requirement.
Members of the Pension Committee and Investment Sub-Committee are sufficiently aware of the risks facing the Pension Fund?	**3.2**	*No Comments*
Members of the Pension Committee and Investment Sub-Committee recognise their fiduciary duties to make decisions that are in the best interests of the scheme members?	**3.8**	*No Comments*
Members of the Pension Committee and Investment Sub-Committee are able to articulate their responsibilities to the Administering Authority, participating employers and the members of the Pension Fund?	**3**	• Many of the responsibilities are so technical that I doubt any of us would be able to articulate the lot. • Only after the appropriate training and experience.
The Knowledge and Skills Framework adopted by the Pension Committee and Investment Sub-Committee is adequate for achieving the required level of knowledge to enable effective decision making?	**2.8**	• We are not given the key decisions to make.
An adequate number of relevant training events and conferences are available to support learning?	**3**	• There may be lots of events and course. I have never been on any.

There is a sufficient coverage of professional advisors, such as Actuary and Investment Advisors?	**3.2**	• We have an overabundance of expensive advisors none of whom seem capable of facilitating our scheme to achieve benchmark results
There is sufficient engagement with stakeholders (e.g. employers and scheme members) by the officers on behalf of the Pension Committee?	**3**	• Don't know. Have you tried asking them? • I do not feel sufficiently 'in the know' to answer this question with any certainty.