

CAMBRIDGESHIRE PENSION FUND



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

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

1. Background

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

2. Key Pension Fund Activities

2.1 Service Delivery (SD)

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

2.1.1 SD1 - Monitor staffing levels in line with organisational reform

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

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

Key Milestones:

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

2.1.2 SD2 – Retain Customer Service Excellence standard accreditation

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

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

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

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

Key Milestones:

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

2.2 Governance and compliance (GC)

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

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

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

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

Key Milestones:

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

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

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

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

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

Key Milestones: (amended due to change in process)

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

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

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

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

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

Key Milestones: (amended due to delays with HMRC)

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

2.3 Communications, Systems and Employer Management (CSEM)

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

2.3.1 CSEM2 - Develop and implement a digital communications strategy

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

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

Key Milestones:

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

2.3.2 CSEM4 – Implement monthly data collection for all employers

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

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

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

Key Milestones:

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

2.3.3 CSEM5 – Manage the valuation

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

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

Key Milestones:

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

2.4 Operations (OPS)

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

2.4.1 OPS1 – Processing of undecided leavers

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

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

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

Key Milestones:

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

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

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

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

Key Milestones:

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

2.5 Investments and fund accountancy (IA)

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

2.5.1 IA2 – Implement the strategic asset allocation

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

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

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

Key Milestones:

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

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

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

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

Key Milestones:

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

2.5.3 IA8 - Tender for an independent adviser

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

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

Key milestones:

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

2.5.4 IA10 – Consider multi-fund investment strategies

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

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

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

Key milestones:

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

3. Relevant Fund objectives

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

4. Risk Management

- 4.1 The Pension Fund Committee approves the Annual Business Plan and Medium-Term Strategy every March for the upcoming year. The plan highlights the key activities of the Fund and the progress of these activities are reported through the Business Plan Update reports provided to the Pension Fund Committee and Pension Fund Board at every meeting.
- 4.2 The risks associated with failing to monitor progress against the Business Plan have been captured in the Fund's risk register as detailed below.

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

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

5. Communication Implications

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

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

7. Legal Implications

- 7.1 Not applicable

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable

10. Background Papers

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

11. Appendices

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

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

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

Service Delivery

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

Governance and Compliance

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

Communications, Systems and Employer Management

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

Operations

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

Investments and fund accountancy

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

