

**Monday, 22 February 2021**

**Democratic and Members' Services**  
Fiona McMillan  
Monitoring Officer

**10:00**

Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

### **COVID-19**

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

## **AGENDA**

**Open to Public and Press**

### **CONSTITUTIONAL MATTERS**

**1 Apologies for absence and declarations of interest**

*Guidance on declaring interests is available at  
<http://tinyurl.com/ccf-conduct-code>*

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|--------------|--|----------------|
| <b>2. a)</b> | <b>Minutes Cambridgeshire Pension Fund Board 6th November 2020</b>   | <b>3 - 20</b>  |
| <b>2. b)</b> | <b>Action Log</b>  | <b>21 - 30</b> |
| <b>3. a)</b> | <b>201208 Pension Fund Committee public minutes</b>  | <b>31 - 40</b> |
| <b>3. b)</b> | <b>PFC CONFIDENTIAL Minutes for 8Dec20</b>   |                |
|              | <ul style="list-style-type: none"><li>Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li></ul> |                |

<b>4</b>	<b>Forward Agenda Plan</b>	<b>41 - 42</b>
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## **DECISIONS**

<b>5</b>	<b>Re-Appointment of Employer Representative to the Board</b>	<b>43 - 50</b>
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## **STANDING REPORTS**

<b>6</b>	<b>Pension Fund Annual Business Plan Update Report 2020-21</b>	<b>51 - 68</b>
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<b>7</b>	<b>Administration Performance Report</b>	<b>69 - 76</b>
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<b>8</b>	<b>Governance and Compliance</b>	<b>77 - 86</b>
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<b>9</b>	<b>Risk Monitoring</b>	<b>87 - 104</b>
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<b>10</b>	<b>Administration Strategy Review</b>	<b>105 - 130</b>
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<b>11</b>	<b>Exclusion of Press and Public</b>	
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*To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed: information relating to the financial or business affairs of any particular person (including the authority holding that information).*

<b>12</b>	<b>Asset Pooling Update Report</b>	
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- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

The Cambridgeshire Pension Fund Board comprises the following members:

Councillor Simon King (Chairman) Mr Barry O'Sullivan (Vice-Chairman) Mr David Brooks Councillor Denis Payne and Mr John Stokes and Councillor Elisa Meschini

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

Clerk Name: Rhiannon Leighton  
 Clerk Telephone: 01223 728170  
 Clerk Email: rhiannon.leighton@cambridgeshire.gov.uk

# MINUTES OF THE CAMBRIDGESHIRE LOCAL PENSION BOARD

Friday 6th November 2020

*Members of the Board in attendance:*

*Employer Representatives* – County Councillors Eliza Meschini, Simon King (Chairman) and Parish Councillor Dennis Payne

*Scheme Member Representatives* – David Brooks, Barry O'Sullivan (Vice Chairman) and John Stokes

*Officers in attendance:*

Cory Blose - Employer Services and Systems Manager

Fiona Coates - Pension Services Financial Manager

Michelle Oakensen - Governance Officer

Michelle Rowe - Democratic Services Manager

R Sanderson - Democratic Services Officer

Paul Tysoe - Investment Manager

Jo Walton - Governance and Regulations Manager

Mark Whitby - Head of Pensions

*Time: 2.00p.m. to 5.05 p.m.*

*Place: Meeting held remotely in accordance with The Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) (England) Regulations 2020*

In his introductions the Chairman welcomed Val Limb to the meeting the successful candidate following the recruitment exercise to find a new scheme employee member to replace David Brooks who was attending as an observer and she would formally join the Board from January.

Later in the meeting the Chairman drew the Board's attention to the fact that it was David's Brooks's last meeting and thanked him, which was endorsed by the whole Board, for the excellent service he had provided and to also wish him the very best for the future. The Chairman personally thanked him for the excellent support he had also provided to him when serving as the Vice Chairman. As it was also the Democratic Services Officer Rob Sanderson's last meeting before he retired he was also thanked for the excellent support he had provided to the Board.

**ACTION  
BY**

## 158. Apologies For Absence And Declarations Of Interest

There were no apologies for absence.

## 159. Minutes of the Pension Fund Board 3<sup>rd</sup> July 2020

It was resolved:

to approve the minutes of the meeting held on 3<sup>rd</sup> July 2020 as a correct record and would be signed by the Chairman on the re-opening of Shire Hall.

## 160. Minutes Action Log

The Minute Action Log was noted.

Issues arising:

Page 7 - Minute 142 - Cambridgeshire Pension Fund 2020-21 Communications Strategy – suggestion of a short video to help people find their way around the self-service website

The response set out reading:

*“This was not a viable option due to the initial cost and the need to continually update (the video) when changes are made to the website. Focus on written material was deemed to be more beneficial. An accessibility review has been undertaken (of both parts of the website employer and employee) and where to find help made clearer.”*

This was not deemed acceptable to a number of members of the Board who still considered it a useful option as accountability was different from usability. Reference was made to the many cheap self-help videos were produced on YouTube by private individuals and therefore queried whether the costs were really that prohibitive and the assertion by the officer who as part of his verbal response highlighted that a three minute professional centrally produced video would cost tens of thousands of pounds.

It was resolved:

That officers should come back at their convenience and as part of an update to the action log providing concrete costs for the production of a video and also information on whether it could be undertaken in-house to reduce the expense. **Action**

Cory  
Blose

## Minute 154 Governance and Compliance Report

Councillor King apologised in relation to this item that he had, as yet, not sent on Cambridgeshire County Council's anti-scam champion co-ordinator's details to the Pensions officers and undertook to action this following the meeting. Action

Cllr King

## Page 9 Minute 156 Governance and Administration Risk Management in light of the Coronavirus pandemic

With regard to concerns raised about data security in respect of home working and in particular concerns regarding the risks associated with not

receiving virus updates if using stand-alone laptops and personal routers. The following update was provided:

*“The Anti-Virus patching is done directly to the Trend Website, so patches are picked up automatically as soon as the laptop connects to the Internet and there is an updated file available. Northamptonshire County Councils Laptops connect to systems through Citrix. This means that access is through an encrypted connection and only keystrokes are transmitted. All the processing is done in the data centre. Restrictions are placed on users being able to copy data out of the citrix environment and store it locally. This means that the data is stored securely, any traffic is encrypted and the Anti-Virus solution is maintained and up to date”*

Councillor Payne, the member who had raised the concerns, was reassured by the information update provided.

161. Minutes Pension Fund Committee 9<sup>th</sup> October 2020

The Pension Fund Committee minutes, which were provided to the Board for information were noted.

162. Cambridgeshire Local Pension Board Annual Report 2019-20

The Board had previously agreed, as part of its Standing Orders, that it would publish an annual report of its activities and in line with this a copy of the draft Local Pension Board Annual Report was attached as an appendix for the Board's consideration and comments. Once finalised with any changes from the current meeting, it would be presented to the Council meeting in December and then published on the Council's and Pension Fund websites. The only difference from the previous year's report was a change in format to comply with the new Accessibility Regulations which came into force from the 23<sup>rd</sup> September 2020.

In discussion one member recalled that there had been a positive external review report of the effectiveness of the Board, which he thought had been in the reporting period covered by the draft Annual Report. He also believed in the same period that the Chairman of the Pension Fund Committee had been invited to attend and answer questions. He therefore expressed surprised that they had not been included. It was clarified that the dates covered were July 2019, October 2019 and January 2020 (*Note: The March 2020 meeting had been cancelled due to the original Covid-19 lockdown*). Officers would check back at when these had been brought forward, and would amend the report if necessary. Action

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Rowe

It was resolved unanimously:

To approve the Annual Report 2019-20

163. Review of the Terms of reference and Update on the Appointment of Representatives.

In 2019, the Pension Fund Board underwent an effectiveness conducted by Aon, the Fund's governance advisors who made a number of recommendations. The Board supported the recommendations and in addition agreed that as the terms of reference had been established back in 2015, they would benefit from a full review. Following on from this in October 2019 Members views were sought on any suggestions they had for possible

Improvements. Action to review the terms of reference had been delayed initially due to other workload pressures on pensions officers and then, as a result of the pandemic.

A review having now been undertaken, and taking account of Board members feedback, changes were proposed as set out in paragraph 2.2 of the report. This included the proposal to include in the terms of reference information on what expenses members of the Board could claim so this was clear and transparent.

In addition, succession planning had also previously been raised as a concern and following notice being given from scheme member representative David Brooks of his intention to step down in early 2021, the Board requested a proactive approach to filling the role and improving future succession arrangements. As a result, a recruitment exercise had been initiated by Democratic Services with support from Pensions officers undertaking the necessary publicity via a mail shot exercise. This had proved to be highly effective and had resulted in 64 expressions of interest.

An oral update indicated that following a short list exercise, an interview panel had sat the previous week. This had included Councillor King and David Brooks, (the latter standing in for the Vice-Chairman Barry O'Sullivan who had been unable to attend due to work commitments). From a very good field of candidates, one had been chosen as the proposed new Board Scheme member representative, namely Val Limb, but having been endorsed by the Monitoring Officer, was being recommended to be approved by the Board. Additionally, due to the high calibre of the short listed candidates, the interview panel were also recommending that the second and third placed candidates would also make very good Board Members. It was reported that at the request of the interview panel, the two had already been approached on whether they would be willing to be considered to for a substitute position, (which it was explained was dependent on the Board being minded to recommend that the terms of reference be changed to allow this). Democratic Services were able to update orally that both would be very happy to take up such a role.

In terms of seeking to achieve greater resilience for the employers' side representative, the suggestion was that Pensions and Democratic Services officers should undertake a similar targeted exercise when resources allowed, to seek to obtain additional suitable candidates who might initially be appointed as substitutes. Pensions officers had indicated this could not be undertaken until later in the new year due to the finite officer resources

Democra-  
tic  
Services /

available, and the need to prioritise essential pensions maintenance activities, during the continued Covid-19 crisis. Action

Pensions  
officers

Other changes suggested by the original consultant's review from 2019 had either been implemented, or were not recommended to be adopted for the reasons set out in section 2.3 of the report. It was highlighted that as the Boards terms of reference were included in the Council's Constitution, any recommended changes from the Board would need to be referred on for approval by the Council Constitution and Ethics Committee and finally full Council.

Issues raised included:

- That it should be made clear in the terms of reference that in increasing the quorum from two representatives to three (half the Board membership), this also required the attendance of a minimum of one member representative and one employer representative and also specifically that the Chairman and Vice Chairman had to be drawn from the two different sectors. While this was included later in the 'rules of procedure' for the Board (*Note: under the section on the quorum currently reading "2 (1/3) Board Members shall form a quorum for meetings of the Board (shall include one each from the employer and member sides)." ...*, there was a request to have this information also included earlier in the listed terms of reference for added clarity.
- Confirming that should the substitute arrangements be approved, the two substitutes would require to also have the necessary training to be able to undertake the substitute role.
- Concern being expressed by one member on whether two substitutes would have sufficient opportunities to attend Board meeting to make the time commitment required for the necessary training worthwhile. (This had also been the original concern that Pensions officers had and why the option was not included, when the original terms of reference were drawn up).
- John Stokes indicated that he had previously written requesting that consideration needed to be given to scheme members on the Board being given an attendance allowance in the same way councillors received an attendance allowance, and consideration of this should have been included in the current report. This was still the subject of an outstanding piece of work to be carried out by the Pensions Officers to survey the allowances paid by other Pension Funds. The Chairman clarified, and this was also confirmed by Councillor Payne, that none of the Councillor employer representatives received a specific allowance for attending the Pension Fund Board. The Chairman further clarified that the attendance allowance received by Councillors was to cover all their councillor duties and that he did not receive a special allowance for being the Chairman of the Board. John Stokes still wished to pursue his original request that officers should investigate further what other LGPS Funds did, as he believed some pension funds did pay their voluntary members some form of attendance allowance. On being asked her opinion, the Democratic and Members Services Manager while not being able to confirm the details of other Pension Boards allowance schemes, highlighted that the County Council did not pay

volunteers on other panels an attendance allowance e.g. those sitting on Education Admission Appeals or Transport Panels and only paid travel allowances and out of pocket expenses. The Chairman agreed that it was important to find out the position of other Funds. He would not wish the Pension Fund Board to be out of line with other Boards, if it was found they did pay an attendance allowance, while clarifying that this was only in respect of any potential payments to the non-councillors on the Board. He asked the Pensions officers to undertake the survey previously requested and come back with a report to a future meeting in order that the Board could review the issue. There was general agreement that this was not something that should delay implementation of the recommendations in the current report. **Action**

M Oaken-  
sen

- The Chairman in referencing the proposed Expenses Protocol included as Appendix 2 setting out the current travel and subsistence rates, and specifically the exceptions on when it was permissible to use a taxi, suggested that two others should be considered for inclusion for being able to be reimbursed for using a taxi. One was if a member of the Board was due to attend a conference but had an injury that prevented them walking to access public transport and two on compassionate grounds, when the weather was terrible and waiting for public transport was not a realistic choice taking into consideration the age of many of the members of the Board. On being asked for her view, the Democratic and Members Services Manager highlighted that pensions officers were using the same allowances scheme requirements as used for County councillors under the Council's travel allowances scheme and would advise against adding further exceptions, as this would complicate and make it more difficult to administer the scheme. Also, she believed a common sense discretion would be used by the Pensions officers in more extreme cases, if for instance, a Member had broken their leg and had no alternative, even if not specifically listed.
- Barry O'Sullivan suggested the scheme exemptions on the use of taxis discriminated against him as he did not drive and lived in St Ives which did not have a good public transport service running early enough in the morning to enable him to arrive in time, if used, to some of the training courses / conferences being held in other cities. The Head of Pensions clarified that this was covered by the phrase "where use of an alternative was not available". David Brooks explained that he had the same issue, as while there was a train station in his village, the train times did not enable him to get to some meetings in time, hence necessitating the use of taxis. However, he clarified that he had never encountered a problem when claiming for such taxi fares. The Chairman accepted the view that no additions should be made on the use of taxis, and was pleased that officers were using a discretion when considered appropriate, taking into account of personal circumstances.

It was resolved unanimously to:

- 1) Review and endorse the proposed amendments to the Terms of Reference to recommend on to the Constitution and Ethics Committee the following:



- To increase the quorum from two representatives to three (half the Board membership), with a minimum of one member representative and one employer representative and that this latter point and the fact that the chairman and vice chairman required to be drawn one from the employer and one from the employee side should be set out clearly as an addition as part of the listed terms of reference
  - To have an expenses protocol included as part of the Terms of Reference
  - To appoint two substitute scheme member representatives to the Board who will have voting rights when deputising for a scheme member representative of the Board.
- 2) Note the successful recent recruitment exercise and, having been endorsed by the County Council's Monitoring Officer, to approve the appointment of Val Limb as the new Scheme member representative from January 2021.
- 3) To consider substitutes for the scheme employer representatives at a later date.

#### 164. Cambridgeshire Pension Data Improvement Policy

Due to a number of process improvements, it had been necessary to review and update the Data Improvement Policy attached as Appendix 1 to the report. The draft revised Data Improvement Policy was being presented for pre-scrutiny review, before going on to the Pension Fund Committee for final approval.

There were no comments in relation to the proposed changes and therefore having reviewed the revisions:

It was resolved unanimously:

To endorse the proposed revisions without any suggested changes required to be forwarded on to the Pension Fund Committee.

#### 165. Cambridgeshire Pension Fund - 2020-21 Communications Strategy

The Local Government Pension Scheme Regulations 2013 required the Pension Fund to prepare, maintain and publish a written statement setting out its policy concerning communications with members and scheme employers. To this end the Fund publishes and maintains a Communications Strategy which had been reviewed and presented for approval. In addition, a Digital Communication Strategy was previously approved by the Pension Fund Committee on 14<sup>th</sup> January 2020 and the Communication Strategy (which included the Digital Communication Strategy) being approved on 9<sup>th</sup> October 2020.

The Communications Strategy (which had been combined with the Digital Communications Strategy) included with the current report included some minor changes to ensure that current membership figures, Fund objectives, stakeholders and date references were up to date. The main changes made

were summarised in the body of the cover report and the document included as appendix 1. In addition the Communications Plan for 2020-21 was included as appendix 2 for information, with the cover report setting out the details of the main communications delivered.

Issues raised in debate included:

- Referencing on page 81 of 310 the line in the Strategy stating “we never use colour as the only way of conveying information” one member suggested that while there were standards on digital communication, there was nothing similar in the Strategy regarding the standards to be used for paper communications. In reply, the officer stated that both written and electronic communications standards had now been merged, and that the same standards applied to both. The Member who raised it challenged if that was the case, why on page 80 was there text reading “in addition for web-based communications we will never use just colour.....”, and therefore suggested the wording needed to be looked at again. **Action:** it was agreed that this would be made clearer in the introduction and the document proof read again to identify any other inconsistencies. Cllr Payne was invited to liaise with Cory outside of the meeting to discuss any other issues he had identified that might require potential re-wording.

Cory  
Blose

- Action**
- There was a need to recognise the different needs of stakeholders / the audience the communications was intended for, as some, (the example given being some parish and town councils), were not so digitally advanced. There needed to be more emphasis on receiving feedback on user accessibility to ensure it was appropriate. It was explained that most of the communications were directly aimed at employers and members. An annual survey was carried out with employers to find out how useful they found the communications, and while there was no direct question on accessibility, the officer could include this as an additional question for future surveys. It was agreed that some additional wording should also be added as a high level statement in the introduction to the Strategy to recognise the issues raised. **Action**
- A question was raised on what the policy was on colour documents being printed in black and white, as in some cases it made the information originally produced in colour nonsensical. The same Member who raised it also questioned the use of blue colour headings as this was a waste of colour printer ink. For Northamptonshire printers were locked down so that they could only print hard copies in black and white. Cambridgeshire Democratic Services also confirmed that they were forbidden to print in colour due to the costs which were approximately thirteen times more expensive for the same document printed in black and white, and reflected the extreme pressures Council budgets had faced in recent years, leading to drastic efficiencies having to be made.

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Having reviewed the Strategy, the officers were asked to take on board the suggestions made and include them in a further revised version of the Strategy.

## 166. Update to Funding Strategy Statement

As part of the valuation process, the Funding Strategy Statement had previously been approved by the Pension Fund Committee. Since publication, there had been an amendment to the Local Government Pension Scheme Regulations 2013 affecting cessations from the Fund, requiring further revision to the Strategy Statement. The most recent amendments gave administering authorities some discretion when determining whether or not an exit credit should be paid, and, if so, the value of that exit credit. The report presented the amendments to the Funding Strategy Statement as agreed by the Pensions Committee, including an entirely new policy on exit credits

It was resolved:

To note the amendments to the Funding Strategy Statement.

## 167. Administration Performance report

This report provided details of a number of key areas of administration performance for consideration by the Board. As an introduction Michelle Oakensen highlighted a number of the details of the report including that:

- Section 8 provided details of LGSS Business Transition arrangements and the changed arrangements for shared services.
- As a result of the service losing 3 working days due to technical issues this had impacted on achieving the target for Payment of retirement benefits from active employment In September as well as for the other three Key Performance Indicators (KPI's) showing as amber, but that the issue had now been resolved.
- There was nothing of concern to report in either Appendices 2 'Receipt of employee and Employer contributions' or in the confidential appendix 3.
- There had been a change of format in that Financial information previously included, had been taken out and was now included in the Business Plan update report as being a more appropriate place to report the information.

An issue raised in discussion was with regard to Page103 paragraph 6.1 Resolution of unprocessed Leaver Records with reference to undecided leavers showing a figure of 10,147. This seemed a large number out of a possible 78,000 members, and clarification was requested. In reply, it was explained that in local government there was always an expectation of least a 10% turnover in any given year. In terms of the backlog, some of this related to having to wait for data information from employers. In addition, a backlog from one employer had added a 1000 additional records and at exactly the same time, there had been a new software release causing delays. It was still hoped to bring down the figure to below 5,000 by the end of the year.

The report was noted.

## 168. Pension Fund Annual Business Plan Update report 2020-21

This update highlighted the progress made on the key activities for the period 1<sup>st</sup> April to 30<sup>th</sup> September as set out in appendix 1 of the report. The tables in appendix 2 provided an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan, as agreed by the Pension Fund Committee in June 2020.

Across many areas it was business as usual, but for the reasons already highlighted in the previous report update, in some of the operations areas the backlog had not been reduced due to the impact of the pandemic and recent IT issues. The latter had resulted in a total of three days systems loss which had impacted on Key Performance Indicator Performance (KPI) particularly when there were five day Performance targets. Going forward there was the recognition of the need to prioritise the reviews of the Business Continuity Plan (BCP) and Cyber- Crime Plan.

What the Covid crisis had shown was that the Service had been able to deal with business as usual while the Head of Pensions suggested that working from home was for various reasons, considered slightly less efficient.

Issues raised in discussion included:

- Surprise was expressed that the BCP had slipped, as it was suggested that this was the most important plan at a time of an emergency like the pandemic. It was explained that there had already been a rapid review of the BCP prior to the first lockdown and recent progress had been complicated by the imminent structural changes in Northamptonshire whereby Pensions would be moved to West Northamptonshire Council.
- Referencing Page 113 paragraph 3.1.2 SD 2 titled 'Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations' – there was a query whether with the milestones slipping as set out, how confident could the Officers be that the end date shown of February 2021 would be achieved. It was clarified that the current end date would not be achieved and the implementation action plan would require updating. Action
- Paragraph 3.5.4 INV5 – 'Review of the Fund's Responsible Investment Policy' – referencing the consultation to take place between April and June 2021 – Councillor Payne highlighted that there was a gap between December and March and asked why officers were not using that time for the consultation, as if undertaken later, it would result in delay in implementation. It was explained that the 'Responsible Investment Policy' fitted within the Investment Strategy and was required to be agreed first by the Pension Fund Committee to ensure this was a policy that they wished to endorse and before consultation could be undertaken.
- As a follow on to the above, the same member asked what impact the public consultation would have on implementation if it came back with negative feedback. Like all policies submitted for consultation, if feedback was received that suggested material changes were required

Mark  
Whitby

or should be considered further, then the process would have to be to take it back for further consideration by the Committee on whether they wished to change any aspects of the proposed policy.

- Page 126 - Appendix 2 'Variances between the forecast of investments and administration expenses on original setting of assumptions' – it was highlighted that areas of the table did not add up. It was agreed a new version would be sent out to the Board. Action
- As part of the issue regarding how the negative and plus figures were shown, the Chairman requested that in future there should be a one line key explanatory note. Action

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At 3.25 there was a five minute comfort break.

## 169. Governance and Compliance Report

This report provided the Pension Fund Board with information on:

- 1) The activities of the Scheme Advisory Board (section 2)
- 2) Legislative updates (section 3)
- 3) Government consultations affecting the LGPS (section 4)
- 4) Skills and knowledge opportunities (section 5 and appendix 3).

With regard to exit payments, as background it was explained the Government had first announced plans to cap exit payments in the public sector in 2015. In April 2019 HM Treasury launched a consultation on the draft regulations, guidance and Directions to implement the cap. The regulations had now been published and an update on the guidance received was provided in a Power-Point presentation included as an appendix to these minutes.

It was highlighted that the exit payment cap had been set at a total of £95,000 with no provision for this amount to be index linked. Exit payments were required to include redundancy payments (including statutory redundancy, severance payments, pension strain costs arising when a LGPS pension was paid unreduced before a member's normal pension age and other such payments made as a consequence of the termination of employment). As redundancy payments could not be reduced, if the cap was exceeded by other elements of the total exit payment package, those other elements were required to be reduced to achieve an exit payment of £95,000 or less. The exit payment cap came into effect from 4<sup>th</sup> November 2020.

Issues raised included:

- A member highlighting that under a legislation update given at a recent pensions conference on Section 107 on the upcoming pension bill this appeared to potentially make some things "which are appropriate and proper to the running of a pension fund subject to criminal legislation" and wondered whether there were any updates. This had not currently been raised as an issue in the LGPS arena and was more applicable to private company pension schemes with formal trustees.
- Page 131 - 5.2 LGPS National Knowledge Assessment – CIPFA Skills and Knowledge framework. There was a query on how the CCC Board

and Committee members compared? It was explained that this was an exercise by Hyman Robertson and was not free. Only 20 LGPS Funds were involved and this Fund had not looked to participate due to the cost and in addition, had been run during the first stage of the corona virus. However, officers would not be surprised if the results shown were generally reflective of the position of CPF Committee and Board members knowledge. It was explained that a new training policy was to be put in place at the end of the financial year.

#### PowerPoint presentation

On section 4 of the report it was explained that it was currently still a rapidly changing position. The Ministry for Housing, Communities and Local Government (MHCLG) had progressed reform of local government exit pay further with a consultation on 7<sup>th</sup> September with a closing date of until 9<sup>th</sup> November. On 14<sup>th</sup> October draft regulations had been released which had been shown to have a number of errors.

The major issue highlighted was that there was a conflict between:

- a) 'The Restriction of Public Sector Exit Payments Regulations 2020' which came into force from 4<sup>th</sup> November limiting exit payments, including pension strain to £95k, which stated that reduced LGPS benefits should be paid where the £95k cap was exceeded compared to
- b) the current draft 'Local Government Pension Scheme (Restrictions of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payments) (England and Wales Regulations 2020' that would enable reduced / partly reduced and deferred payments to be awarded.

The slide 'Regulation Conflict where the cap was exceeded' provided an update on latest advice and legal challenges that had been issued.

The next slide set out to the conflicting advice from the Scheme Advisory Board compared to MHCLG. The Scheme Advisory Board was currently advising LGPS administering authorities to seek their own legal advice. This was very awkward for Pensions officers as both options were technically a breach of the law.

In discussion:

- One scheme member commented that from the consultation response on page 143, the proposals could be seen as age discriminatory and he expected that it would turn into another McCloud case, as even someone with a modest salary with many years' service would fall outside of the cap. He expected that there would be a strong challenge from the unions.
- Another Member made the point that it seemed totally unreasonable for someone who had been employed for many years with an expectation of what their benefits would be to have them taken away and that no stepping arrangement was being proposed.
- That it was inappropriate that the Cap figure was not to be index linked for inflation but would rely on the Government to uplift it.

From an officer administration point of view it had already caused a great deal of additional work and while officers had been aware for five years that it was on its way, it would create turmoil for both employers and employees during the forthcoming future when there was likely to be significant workforce re-engineering resulting from local government re-organisation.

The report was noted.

## 170. Risk Register

It was reported that Fund Officers had reviewed the Risk Register and identified the following three additions for clarity asking that Board members review the full risk register set out in appendix 1 and confirm if they agreed with the following conclusions:

- Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk (risk 13) the word “annual” has been inserted into the cyber training mitigation to demonstrate continual updated knowledge in this area.
- Actual experience materially differs from actuarial assumptions used at each valuation (risk 13) an additional control has been added “Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions”.
- Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors (risk 21) – has had the risk descriptor updated to demonstrate informed decisions “in conjunction with Fund Actuary/specialist advisor”

Section 3 set out the short and medium terms risk and updates as a result of the pressures from the Covid-19 pandemic and the administrative pressures facing the fund from recent legislation changes. Apart from those, there had been no material changes to the Risk Register.

it was resolved:

To note the report.

## 171. Age Discrimination Remedy in the LGPS (McCloud) and Cost Cap Mechanism (update)

This report provided the Pension Fund Board with the background to and an update on the age discrimination remedy in the LGPS as a result of the legal case brought by McCloud and an update on the paused cost control mechanism.

In respect of McCloud, Aon, the Fund’s benefits and governance consultant, were commissioned to undertake a high level initial analysis of the likely

impact on scheme members as a result of the likely remedy (prior to the release of the consultation). This was set out in the table under paragraph 3.2 showing out of the total number of members for each type of fund member, the number requiring remedy. While the amounts to be re-compensated might be small, as the total was 17,500 (24% of scheme membership), the amount of additional work for officers was significant.

Paragraph 3.3 set out the Scheme employers that they belonged to, with the most affected with 3,000 being Cambridgeshire County Council (CCC)

The first and most pressing concern was to establish whether accurate data was held for scheme members in terms of hours of employment and service breaks in order to accurately calculate the underpins. Cambridgeshire Pension Fund was in a fortunate position of having not stopped collecting and recording this information when it was not essential to be recorded when the LGPS changed from a final salary to a CARE scheme on 1 April 2014. However, with the reliance on scheme employers to report changes in hours of employment and service breaks it could not be guaranteed that the data held was completely correct for every member. At the time of the report's preparation, officers were planning the necessary communications to obtain the information from employers. Issues that could arise included some employers no longer existing, others having destroyed their records in line with data protection regulations and the possibility that some employers might refuse to co-operate. It was hoped that the Scheme Advisory Board would help assist with staff training and helping ascertain how much of work could be automated

An issue was raised on whether the Team would be able to cope with all the increased work pressures. In reply it was indicated that the Business Plan for the following year would be seeking additional staffing resources.

The report was noted.

## 172. Pension Fund Annual report and Statement of Accounts 2019-20

This report presented the Annual Report and Statement of Accounts of the Pension Fund for the 2019-20 financial year. The key highlights included that:

- There had been a net decrease in assets for the year was £194.9m, with the Fund's net assets falling to £2,997.7m. As an oral update it was clarified that the Fund position was a snap shot at the end of March and since then, the Fund had recovered along with the markets and by the end of September had gained an additional £600m.
- Contribution receipts increased slightly from £124.5m to £126.5m and reflected the increase in contributions payments from a growth in the number of active members during the year.
- Benefit payments had increased to £107.9m from £106.3m reflecting the growth in the number of pensioners during the year.
- Administration expenses increased during the year due to expenditure relating to 2018-19 being paid in 2019-20. Oversight and governance costs had increased due to the Fund compliance with the CIPFA Management Expenses guidance.



- The one year investment return as at 31<sup>st</sup> March 2020 was a net market loss of £191.1m. The investment return for the Fund over the financial year was -5.7% compared to the Fund's weighted benchmark return of -3.3% reflecting the financial situation brought about by the COVID-19 pandemic and the active investment management decisions made by the Fund.
- Investment Income decreased from £45.5m in 2018-19 to £34.4m in 2019-20 mainly due to a large dividend received in 2018-19 from a pooled investment manager. Investment income was largely impacted by market performance and returns during the year.
- Investment liabilities increased following the implementation of the Equity Protection Strategy.
- The number of active employers decreased by 57 to 197 at 31<sup>st</sup> March 2020.
- Ernst Young the external auditors had completed their audit fieldwork of the Pension Fund Statement of Accounts had issued a draft ISA260 report which confirmed that no issues were identified during their fieldwork.
- The Accounts had been reported to the Council's Audit and Accounts Committee and Pension Fund Committee and the annual report had been approved at the Pension Fund Committee. The pensions accounts had provisionally been approved at the Audit and Accounts Committee and would be going back to the Committee on 24<sup>th</sup> November as part of the overall Council Accounts for final approval.

It was explained that Covid was still a real issue affecting the whole world and was still having an effect on liquidity in some sectors. Some sectors such as travel and hospitality having been particularly hit hard, while conversely, some sectors were doing very well such as Amazon, Apple, Facebook and Google who had given the USA financial markets a big boost.. Fund managers were very aware of the changing position and where possible where disposing of stock in sectors that were reducing in value.

In discussion John Stokes made the point (specifically applying to Virtual meetings) that where an officer only had one item on the agenda they should be moved further up the agenda or better still ,the agenda restructured in such a way that single authored reports were considered early on. Action

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Services

The report was noted.

## 173. Agenda Plan

There were no further additions proposed.

It was highlighted that one of the candidates at the previous weeks interviews had highlighted that the Pension Fund had a legal requirement to approve data cleansing on an annual basis and that this had not been undertaken since 2018 and perhaps needed to be looked as an addition to the forward plan. The Head of Pensions queried whether the person was referring to the Committee or Board. The Chairman indicated that if it was a Committee duty and was being carried out in line with meeting statutory requirements then he

Mark  
Whitby to  
confirm  
reporting

was satisfied, but the Board needed confirmation of the position as it had been brought to his attention. Action

arrange-  
ments

The agenda plan was noted

#### 174. Exclusion Of Press And Public

It was resolved that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraph 1 and 3 of Part 1 of Schedule 12A of Page 1 of 326 of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed in discussion as it contains information relating to an individual and the financial or business affairs of any particular person (including the authority holding that information)

#### 175. ACCESS Asset Pooling Update

This report updated the Pension Fund Board on the Access Joint Committee (AJC) meeting held on 7th September 2020. The Meeting pack including the agenda, Minutes and all reports was previously circulated prior to the meeting to all members of the Pension Committee and Local Pension Board by Dawn Cave in Democratic Services with the current report highlighting the key aspects of the meeting pack. Where appropriate reference was made to the meeting pack for more detail and more background information was also provided for the benefit of Val Limb observing the new Board service scheme member, who would be taking up her role from January.

It was highlighted as an update that MHCLG were consulting with Funds on the effectiveness of the various asset pool models to inform whether a pending asset pooling consultation should be guidance or regulation focussed.

Issues raised in discussion included:

- Asking that with 11 different funds part of the ACCESS agreement, how were potentially conflicting individual Funds policies such as for example policies on responsible investment addressed. It was explained that the Fund picked like-minded investment managers / partners to ensure they were working in the best interests of the overall Fund. If some partners did not wish to use the information that was made available to them that was their choice. If it was found that investment managers were not complying with Environmental, Social and Governance (ESG) investing agreed policies they would not be used. The aim was to achieve a common policy that met all partners' needs.

Having discussed the detail,

It was resolved to:

1. Note the minutes from the ACCESS Joint Committee (JC) meeting of the 17th July 2020.
2. Note the asset pooling update following the JC meeting of the 7th September 2020;
3. Note that the Pensions Committee of the 8<sup>th</sup> October 2020, approved an amendment to the Operator agreement to accede to Link's request to relax the Standard & Poor's credit rating requirement of their Professional Indemnity and Crime insurance cover to A- as part of a package to include the incorporation of additional KPIs, negotiated by the Contracts Manager and
4. Note that the Pensions Committee of the 8<sup>th</sup> October 2020, approved an amendment to Schedule 4 of the Operator Agreement to incorporate specified additional Key Performance Indicators KPIs as negotiated by the Contracts Manager.

Chairman  
January 2021



This log captures the actions arising from the Cambridgeshire Local Pension Board and will form an outstanding action update from meetings of the Board to update Members on the progress on compliance in delivering the necessary actions. Action log updated as at 12 February 2021.

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 31<sup>st</sup> January 2020</b>						
141.	<b>Governance and Compliance Report</b>	Michelle Oakensen	There was a request for officer guidance on which training events were relevant to who.		<b>Ongoing.</b> The CIPFA guidance has been delayed due to Covid-19. The revised policy is due to be presented to the Board in April 2021.	April 2021
146.	<b>Agenda Plan</b>	Michelle Oakensen	In terms of IT issues there was to be a review of the Business Continuity Plan for either the April or July meeting.		<b>Completed</b> The Pension Fund Committee agreed to the re-profiling of the review of the BCP. Remaining activities are captured in the Business Plan update reports and will also feature in the Business Plan for 21/22.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 3<sup>rd</sup> July 2020</b>						
<b>154</b>	<b>Governance and Compliance Report</b>	Paul Tysoe	Investment policy decisions was raised in regards to employee and employer engagement and in continued discussion, one member stated that he found it difficult to answer questions put to him regarding disengagement. The Board agreed that a more proactive approach to seeking views from Employers and scheme members on disengagement should be adopted by the officers.	This question will be considered in the ongoing review of the Funds Investment Strategy Statement.	<b>Completed.</b> It is understood that the 'disengagement' should read 'disinvestment'. Issues addressed as part of the Information Day on 10/2/2021. RI policy will be consulted on in 21/22.	

Minute	Report Title	Action for	Action	Comments	Status	Due date
<b>Minutes of 6<sup>th</sup> November 2020</b>						
160	Minutes Action Log	Cory Blose	Regarding the Communication Strategy officers were asked to come back at their convenience and as part of an update to the action log providing concrete costs for the production of a video and also information on whether it could be undertaken in-house to reduce the expense.		<p><b>Completed:</b> It is the view of officers including the specialist communication officer that a video to assist with navigation of member self-service would not be a good use of Fund money due to the costs of production being quoted as £13,000 (source: LGA based on one short video that was commissioned). MSS changes around 3 times a year, which would then lead to further costs to update and also lead times to produce the videos – MSS guides can be updated.</p> <p>The Fund is making changes to the login page to make it clearer and has passed on accessibility feedback to the host to make improvements and ensure that all user guides have clickable contents as well as step by step guides.</p> <p>Officers would support the use of video guides for technical concepts such as how the CARE scheme works.</p>	

160	<b>Minutes Action Log</b>	Councillor King	Councillor King apologised in relation to this item that he had, as yet, not sent on Cambridgeshire County Council's anti-scam champion co-ordinator's details to the Pensions officers and undertook to action this following the meeting.		<b>Completed.</b> Received 6/11/20	
162	<b>Cambridgeshire Local Pension Board Annual Report 2019-20</b>	Michelle Oakensen	Officers would check to see if the effectiveness review had been covered in the 2018/19 Annual Report.		<b>Completed.</b> The Aon Effectiveness review was covered as part of the 2018/19 review and Cllr Payne informed.	
163	<b>Review of the Terms of reference and Update on the Appointment of Representatives.</b>	Jo Walton/ Michelle Rowe	In terms of seeking to achieve greater resilience for the employers' side representative, the suggestion was that Pensions and Democratic Services officers should undertake a similar targeted exercise when resources allowed, to seek to obtain additional suitable candidates who might initially be appointed as substitutes.	Pensions officers had indicated this could not be undertaken until later in the new year due to the finite officer resources available, and the need to prioritise essential pensions maintenance activities, during the continued Covid-19 crisis.	<b>Ongoing.</b> Officers to consider this activity in June 2021.	June 2021.



163	<b>Review of the Terms of reference and Update on the Appointment of Representatives.</b>	Michelle Oakensen	Officers to undertake a review of whether other funds pay Board member allowances and feedback findings.		<b>Completed</b> (refer to appendix of action log)	February 2021
165	<b>Cambridgeshire Pension Fund - 2020-21 Communications Strategy</b>	Cory Blose	Referencing on page 81 of 310 the line in the Strategy stating “we never use colour as the only way of conveying information” one member suggested that while there were standards on digital communication, there was nothing similar in the Strategy regarding the standards to be used for paper communications. In reply, the officer stated that both written and electronic communications standards had now been merged, and that the same standards applied to both.	The Member who raised it challenged if that was the case, why on page 80 was there text reading “in addition for web-based communications we will never use just colour.....”, and therefore suggested the wording needed to be looked at again.	<b>Completed</b> 29/1/2021 The suggested addition has been included in the equality and accessibility section of the strategy	

165	<b>Cambridgeshire Pension Fund - 2020-21 Communications Strategy</b>	Cory Blose	There was a need to recognise the different needs of stakeholders / the audience the communication was intended for, as some, the example being given was parish and town councils, were not so digitally advanced. There needed to be more emphasis on receiving feedback on user accessibility to ensure it was appropriate. It was explained that most of the communications were directly aimed at employers and members. An annual survey was carried out with employers to find out how useful they found the communications, and while there was no direct question on accessibility, the officer could include this as an additional question for future surveys.	It was agreed that some additional wording should also be added as a high level statement in the introduction to the Strategy to recognise the issues raised	<b>Completed</b> 29/1/2021 The suggest addition has been included in the introduction to the strategy.	
168	<b>Pension Fund Annual Business Plan Update report 2020-21</b>	Mark Whitby	Referencing Page 113 paragraph 3.1.2 SD 2 titled 'Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations' – there was a query whether with the milestones slipping as set out, how confident could the Officers be that the end date shown of February 2021 would be achieved. It was clarified that the current shown end date would not be achieved and the implementation action plan would require updating.		<b>Completed.</b> The milestones have been updated in the Business Plan update.	

168	<b>Pension Fund Annual Business Plan Update report 2020-21</b>	Mark Whitby	Page 126 - Appendix 2 'Variances between the forecast of investments and administration expenses on original setting of assumptions' – it was highlighted that areas of the table did not add up. It was agreed a new version would be sent out to the Board.		<b>Completed.</b> Will be distributed before the meeting.	
168	<b>Pension Fund Annual Business Plan Update report 2020-21</b>	Mark Whitby	As part of the issue regarding how the negative and plus figures were shown, the Chairman requested that in future there should be a one line key explanatory note.		<b>Completed.</b> Included in future reports.	
172	<b>Pension Fund Annual report and Statement of Accounts 2019-20</b>	Michelle Oakensen	In discussion John Stokes made the point (specifically applying to Virtual meetings) that where an officer only had one item on the agenda they should be moved further up the agenda or better still the agenda restructured in such a way that single authored reports were considered early on.		<b>Noted.</b> Report ordering will be considered with this in mind.	

173	Agenda Plan	Mark Whitby	<p>It was highlighted that one of the candidates at the previous weeks interviews had highlighted that the Pension Fund had a legal requirement to approve data cleansing on an annual basis and that this had not been undertaken since 2018 and perhaps needed to be looked as an addition to the forward plan. The Head of Pensions queried whether the person was referring to the Committee or Board. The Chairman indicated that if it was a Committee duty and was being carried out in line with meeting statutory requirements then he was satisfied, but the Board needed confirmation of the position as it had been brought to his attention.</p>		<p><b>Ongoing. A data improvement plan is in place</b> A revised data improvement plan would be presented to the Local Pension Board in April 2021.</p>	<p>April 2021.</p>
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## Appendix

Action 163 – Review of the terms of reference and update on the appointment of representatives

Action required - Officers to undertake a review of whether other Funds pay Board member allowances and feedback findings.

Officers have undertaken research to establish the use of Local Pension Board representative allowances in other administering authorities. The results for the administering authorities who are part of the ACCESS pool are as follows:

Administering Authority	Allowance paid to non-Councillor representatives/ employees?	Independent Chair?
Cambridgeshire	No	No
East Sussex	Yes	Yes
Essex	Yes	Yes
Hertfordshire	No	No
Isle of Wight	No	Yes
Kent	No	No
Norfolk	In some circumstances	Yes
Northamptonshire	No	No
Suffolk	No publically available information	No
Hampshire	N/A as Joint Board/Committee – not comparable	N/A
West Sussex	No	No



## MINUTES OF THE PENSION FUND COMMITTEE

Date: Tuesday 8<sup>th</sup> December 2020

Time: 1.30pm - 4.05pm

Venue: Virtual Meeting

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

Officers: C Blose, D Cave, P Tysoe, J Walton and M Whitby

Advisors: D Green and R McInroy

Apologies: Peterborough City Councillor D Seaton

### 220. DECLARATIONS OF INTEREST

Councillor Robertson declared an interest as his wife was in receipt of a small pension.

John Walker and Councillor Downes both declared interests as retired members of the pension scheme.

Matthew Pink declared an interest as an active member of the pension scheme.

### 221. PUBLIC MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD 9<sup>th</sup> OCTOBER 2020

The minutes of the Pension Fund Committee meeting held on 9<sup>th</sup> October 2020 were approved as a correct record.

### 222. ACTION LOG

The Action Log was noted.

### 223. ADMINISTRATION PERFORMANCE REPORT

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

Members were reminded that since the start of the pandemic, the Pension team had managed to maintain performance across the range of KPIs (Key Performance Indicators).

However, there had recently been a dip in performance due to a system outage on Altair pension administration system and the NCC network, which had impacted on the KPIs in relevant areas. Additionally, a key member of staff had been off sick which had affected performance in a number of areas, but it was confirmed that the team had subsequently caught up. The main issue had been the three consecutive days of outage, which had meant that it had not been possible to complete a number of actions requiring a five day turnaround.

In terms of Employer contributions, the vast majority of Employers were paying on time, with just two Employers failing to meet the deadline. However, those two Employers were only late by a few days, and had always paid on time previously, so this was not considered to be a cause for concern.

Despite the formal cessation of LGSS, the Pensions Service would continue to provide a shared service arrangement for Northamptonshire and Cambridgeshire Funds. When the new local authority arrangements came into place in Northamptonshire in 2021, the Pensions Service would sit under West Northamptonshire Council going forward.

With regard to the Tier 1 Ill Health Estimate that had been overstated, it was agreed that an email would be circulated to the Committee to provide an update on this case and the other IDRP cases identified in the report. **Action required.**

Mr Walker advised that a number of employed scheme members had expressed concern as they had been waiting a while for their Pension query acknowledgements. Officers advised that queries were automatically acknowledged where the request was sent by email, so there may be some technical reason why it appeared that they had not been sent e.g. acknowledgements going to Junk folders. It was agreed Mr Walker would be provided with an officer point of contact so that he could raise any such issues directly with the team. **Action required.**

It was resolved unanimously to:

Note the Administration Performance Report

## 224. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2020- 21

The Committee considered an update to the Business Plan for the period 1<sup>st</sup> September to 31<sup>st</sup> October 2020.

Members noted that progress had been made on many aspects of the Business Plan, specifically:

- Positive progress on the seven investment activities, as set out in Appendix 1 to the report. There had been a slight delay in asset pooling, but there had subsequently been a number of Sub-fund launches. Multiple Investment Strategies would be considered later in the meeting;



- With regard to the Business Continuity Plan, the Pensions services would be moving to West Northamptonshire Council in April 2021, and would have a new corporate entity at that point, so some of this activity had been re-profiled. Some elements will therefore be tested after April, but the Aquila Heywood system would be tested in advance of that;
- Cybercrime was potentially posing increasingly sophisticated threats to the administration of the Fund. The section on Cybercrime had been significantly updated in the latest iteration of the Business Plan. The whole Pensions team had undertaken training, and an Aon scorecard assessment would be undertaken in December.

One Member expressed strong concerns about cybercrime. Officers reassured him that there was resilience within the pensions systems, including the Altair platform, which required multifactor authentication to access. The Member commented that his particular concern was the security of those organisations that the Pensions team shared data with, e.g. in relation to confirming the existence of members of living abroad. Officers advised that there were few organisations that the data was shared with, and outlined the measures in place. Douglas Green (Actuary) also reassured Committee Members that there had been a section on data protection and security in the last actuarial tender, which was robustly tested as part of that tender framework.

With regard to reducing pension liabilities, the team were continuing to contact Members about claiming refunds which they were entitled to as leavers. As of October 2020 1,153 (17%) out of 6,928 members had been contacted and been given the opportunity to claim a frozen refund, and 373 members had requested and received a refund to date. A Member queried the age profile of those who were not claiming, i.e. how long ago since they left employment. Officers advised that the time period varied greatly, and it was acknowledged that it was more difficult to trace those who had left a long time ago.

With regard to the resolution of undecided leavers, it was confirmed that this had not progressed significantly, with volumes remaining static throughout the Pandemic. Officers explained how this was a particularly resource heavy activity, and how the proposed action to address this was to obtain access to key Employers' systems so that officers could respond to quite simple queries themselves. In response to a Member question on leverage with Employers, it was confirmed that ultimately leverage could be deployed through the Administration Strategy and Charging, but officers preferred to work with the Employer to identify and resolve issues. The example was given of an Employer who had had insufficient resources due to a recruitment freeze, which had subsequently been lifted, and it was therefore anticipated that the delays would be resolved.

A Member queried whether the mortality screening and address tracing services was beneficial in cost terms. Officers confirmed that Mortality tracing was definitely worthwhile, but address tracing was more problematic, as some of the results were low confidence. However, there had been pressure from the Pension Regulator to undertake address tracing. It was agreed that information on address tracing costs would be circulated.

**Action required.**

Members noted the financial information in the appendices to the report, and it was agreed that further information would be circulated relating to 'above the line' cashflows, which had been requested by the Investment Sub-Committee. **Action required.** Officers advised that there had been a recent significant inflow of contributions from the Department of Health (DoH), relating to legacy liabilities, also some contributions from some local authorities choosing to pay their deficit contributions as one payment. As a result the Total Income estimate for 2020/21 would be increasing from £135.2M to approximately £150M, with the majority of that increase relating to the single payment from the DoH.

Investment Management Expenses has been historically paid out of cash i.e. invoiced, but this had reduced considerably as the assets moved across to the ACCESS Pool, where they were deducted from the underlying sub-fund.

A Member raised a query relating to Appendix 1, Governance and Compliance, and asked if officers could provide Members with a schedule of events that they should attend, as he had been inundated with offers to attend training and conferences, and specific guidance on what was useful would be helpful. The Chairman advised that he always contacted the Pensions Team to see if events were worthwhile. It was noted that Appendix 2 of the following agenda item identified the most useful training events.

A Member queried the key actions on investments, asking whether there should be a review of Climate Change implications in the Investment Strategy, especially with regard to Global Warming caused by the Oil, Aviation and Shipping sectors. Officers advised that the Committee had already considered their Investment Beliefs, and a revised RI (Responsible Investment) Statement would be considered at the next Investment Sub-Committee meeting, which following consultation, would become part of the Fund's main Investment Statement. Following that, a variety of RI related actions would feed into the Business Plan. At pool level, Mark Whitby was chairing a group which was developing principles and guidance around RI/ESG. The Chairman highlighted that the amount of investment into the Energy sector had reduced significantly from about 5% to 2.5% over recent years. Officers reminded Members that they had received a briefing note highlighting the Fund's minimal exposure to energy stocks such as Oil, but that this was unlikely to ever reduce to zero, as Oil still had a place in developing countries, but it was recognised that Climate Change issues could have material financial impact on investments. A possible next step was to reduce some of the climate risk within the portfolio. Officers reiterated that they were working very closely with partner funds in ACCESS, and whilst this may take longer, collectively the combined Funds would have a far greater impact.

A Member queried the massive reduction in income (30%) from investments, and asked how this would impact on the Fund, and whether this resulted from the Pandemic and Brexit. Officers advised that the Fund had performed remarkably well in the Pandemic, with performance of all managers recovering. The significant decline in income was largely due to companies not paying dividends, as nearly all companies had suspended or drastically reducing dividends. During the Pandemic the biggest issue has been liquidity

i.e. whether companies had enough money to survive and pay bills so that could continue to trade. Even those cash rich companies which could afford to pay dividends had taken the decision to withheld dividends and maintain their cash reserves so they were better placed to survive through difficult times. Whilst the roll out of Covid-19 vaccines was very welcome, it would still take time for markets to return to functioning normally, and it may be that companies re-set their dividends to lower levels. However, the Fund was a long term investor and the current situation should be regarded as a blip in investment terms. On the positive side, the fall in equity prices had given investment managers the opportunity to select stocks which had previously been too expensive. Another Member commented that he felt the outlook for the next twelve months was poor, and he believed there would be further reductions in income, but underlying asset values would increase if companies were not paying out dividends, which would feed through in to longer term valuations.

A Member asked for consistency in the use of brackets and minus signs in financial reporting. Action required.

It was resolved unanimously to:

Note the Business Plan Update to 31st October 2020.

## 225. GOVERNANCE AND COMPLIANCE REPORT

Members received a report on governance issues concerning the Local Government Pension Scheme (LGPS) on a national and local basis, and also details of forthcoming training events.

With regard to the Public Sector Exit Cap, Members noted that the exit payment cap was set at a total of £95K with no provision for this amount to be index linked. Exit payments must cover all redundancy payments, including statutory redundancy, severance payments and pension strain costs which arose when a member of the LGPS pension was made redundant at the age of 55+. The Exit Cap regulations had been brought into force on 4<sup>th</sup> November. This meant that currently, the legislation was in place, but there was no guidance and the LGPS regulations had not been amended to reflect the Exit Cap, so there was currently a conflict between the two sets of legislation. Both the Scheme Advisory Board and the Fund had sought legal advice, and the advice from both was similar, in that individuals would only be offered deferred benefit or a fully actuarial reduced pension if the member was over the age of 55 and their exit package exceeded £95K. Advice had been circulated to employers w/c 30/11/20, but to date there had been no cases in Cambridgeshire. In addition, the Fund's Actuary had provided the Pensions team with pension strain cost factors, more aligned to the future GAD factors that would be used once the LGPS Regulations had been amended.

There were a number of Judicial Reviews in scope on this matter, and it was looking hopeful that there would be a test case on how Funds should operate pending the

amendment of the LGPS Regulations. As the Fund was effectively operating outside the law, there was concern that the Fund should report itself to the Pensions Regulator, but the Pensions Regulator had confirmed that they were aware of the issue, which was relevant to all LGPS Pension Funds, and they would not be investigating.

The Chairman asked whether costs would be covered if the Fund was taken to Court by one of its members. It was also noted that any cases would firstly need to exhaust the internal dispute and Ombudsman processes, before there was a right of appeal to the Courts. It was confirmed that the £95K limit was likely to be beneficial to the Fund, as it was potentially restricting the amount of benefits the Fund had to pay out.

With regard to seminars and training events, officers reiterated the point that the Chairman had raised earlier in the meeting, stating that they were always happy to advise on whether an event was suitable.

It was resolved unanimously to:

Note the content of the report.

## 226. RISK MONITORING

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

Members noted changes to the Risk Register that had been made at the suggestion of the Local Pension Board at their meeting on 6<sup>th</sup> November. It was also noted that the Exit Cap issued had had a considerable impact on administrative resources since it had emerged.

Noting that “*(investment) Managers are required to report regularly on their compliance with our ESG policy*”, a Member asked how this was demonstrated. Officers confirmed that monitoring of ESG compliance was embedded within core processes, including manager selection, the annual report and regular updates with individual managers. Officers would approach individual managers if they had specific concerns that managers were not aligned with the Fund’s ESG/RI principles.

With regard to a query on the potential impact of Brexit, officers explained that the Fund had disinvested from its UK/Europe mandates in 2019, and the Fund’s holdings were therefore Global. Whilst Global equities would include some FTSE100 listed companies, these tended to be multinationals with global exposure. In addition, most markets had already “priced in” Brexit, and whilst it was acknowledged that a lot of short term market volatility was driven by sentiment, the Fund had a very long term horizon.

It was resolved unanimously to:

Review the current risks facing the Fund

*(Cllr Hay left the meeting)*

## 227. CAMBRIDGESHIRE PENSION FUND DATA IMPROVEMENT POLICY

The Committee considered a report on an updated Data Improvement Policy. The Policy had been revised to reflect a number of process improvements. The updated Policy had been considered by the Local Pensions Board at its meeting on 6<sup>th</sup> November 2020.

Members noted the changes that had been made which related to:

- Data Audit
- LGPS National Insurance Database
- Member tracing and mortality screening
- Overseas proof of continued existence checks

It was resolved unanimously to

review and approve the revisions to the Data Improvement Policy

## 228. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of five admission bodies, and the cessation of four bodies. None of the admission bodies were discretionary.

The report also sought approval from the Committee to revise the contribution payments required from Peterborough City Council. Vivacity Culture and Leisure had been admitted to the Fund under a full admission agreement in 2010 after entering into a contract with Peterborough City Council to manage the City Council's culture and leisure facilities. Because of the Pandemic, in June 2020 Vivacity served 90 days' notice to Peterborough City Council to terminate their agreement for services.

If a deficit payment was pursued, the cost to Vivacity would be approximately £4.1M, as there had been no requirement to provide a guarantor when they were admitted. Peterborough City Council (PCC) had agreed to take on responsibility for those liabilities, which would be on the less prudent "ongoing" methodology which applied to the valuing of liabilities of a local authority. On that basis, there would be a £3.3M surplus, because different discount rates would apply. In discussion with PCC, this would result in a material improvement to the funding position of the City Council, reducing its deficit by 25% to around £9.5M. The City Council had requested that contribution payments be reviewed to reflect this material change and agree an appropriate reduction to their secondary contribution payments which were primarily targeted at reducing the City Council's deficit.

It was noted that this reduction was equal to half of the value of the assets: PCC was one of the Fund's long term Employers, but there could still be some volatility, which was why it was only being reduced to half the value of assets. Actuarial colleagues had confirmed that they were comfortable with this reduction in contributions. It was confirmed that the revaluation would take place 31/3/2022, so the reduction would take place during the current cycle.

A Member queried how the difference in valuations could be so dramatic i.e. from a £3.3M deficit to a £4.1M surplus. The Actuary advised it was because a more prudent basis was used, assuming the Employer's asset share would grow, whereas if Vivacity had ceased without a guarantor, other employers would be exposed and would have to contribute as there was no recourse to Vivacity.

Another Member asked if this was a temporary arrangement on PCC's part, and whether Vivacity staff would be TUPE'd across to PCC, and services recommenced once the Pandemic was over? Officers confirmed that services were being taken in house for at least one year, possibly two, and then an outside provider would be sought. In terms of the impact on the funding position, when staff were moved to a new provider, the liabilities and an equivalent amount of assets move across to new provider with the surplus assets staying with PCC.

It was resolved unanimously to:

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

- Compass Contract Services
- HCL - Hertfordshire Catering Limited
- Solutions 4 Health Ltd
- Taylor Shaw Limited (x2)

2. Notes the cessation of the following bodies from the Cambridgeshire Pension Fund:

- Orchard Learning Trust
- Serco Limited (PCC ITNET)
- Solutions 4 Health Ltd
- Vivacity Culture and Leisure

3. Approves the revision to the contribution payments required from Peterborough City Council as set out in Paragraph 3.4.5 of the report.

*(Cllr Shellens left the meeting)*

## 229. ADMINISTRATION STRATEGY REVIEW

The Committee considered a report which proposed amendments to the Administration Strategy.

Members noted that the existing version of the Strategy was a joint strategy between Cambridgeshire and Northamptonshire Pension Funds, which was the preferred approach at that time. The Strategy had now been drafted as a separate document for each Fund.

Attention was also drawn to the KPIs which were split between overall Member experience, performance of the Fund and performance of the Employer. Wording of the objectives within the strategy had also been updated to ensure these reflected the latest version of the Fund Objectives.

A Member asked why the objectives relating to *“high quality, friendly and informative administration service”* and *“cost effective and efficient (administration)”* had been deleted. It was noted that these the Fund’s objectives had been reviewed a few years ago, and those objectives were essentially subsumed within others.

It was resolved unanimously to:

Approve the amendments to the Administration Strategy.

## 230. EXCLUSION OF PRESS AND PUBLIC

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

## 231. ACCESS ASSET POOLING UPDATE

Members considered a report on ACCESS Asset Pooling. The reports for the most recent ACCESS meetings had been circulated to the Committee.

It was resolved to:

1. Note the attached minutes from the ACCESS Joint Committee meeting of the 7th September 2020.
2. Note the asset pooling update following the Joint Committee meeting of the 12th November 2020.

## 232. MULTIPLE INVESTMENT STRATEGIES

Members considered an update on the implementation of Multiple Investment Strategies.

It was resolved unanimously to:

1. note the report and the presentation from the Fund Actuary;

2. agree the next stages of this activity and the additional expenditure of £35,500 plus VAT, as set out in Section 2.4 of the report.



# CAMBRIDGESHIRE PENSION FUND BOARD AGENDA PLAN



Cambridgeshire  
County Council

Agenda Item No: 4

Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
<b>22/02/2021</b>	Minutes 06/11/2020 and Action Log	R Leighton/J Walton		
	Re-appointment of Employer representative to the Board	D Snowdon		
	Administration Report [standing item]	J Walton		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Administration Strategy [post scrutiny]	C Blose		
	Asset Pooling Update	P Tysoe		
	Pension Committee Minutes 8/12/2020	R Leighton/ J Walton		
<b>23/04/2021</b>	Minutes 22/01/2021 and Action Log	R Leighton/J Walton	<b>14/04/21</b>	
	Administration Report [standing item]	J Walton		
	Risk Monitoring [standing item]	M Oakensen		
	Business Plan Update [standing item]	M Whitby		
	Governance and Compliance Report [standing item]	J Walton		

Meeting date	Agenda item	Lead officer	DS Deadline for draft reports	Agenda despatch date
	Business Continuity Plan review (incl cybercrime)	J Walton		
	External Audit	B Barlow		
	Training Strategy [pre scrutiny]	M Oakensen		
	Review of Investment Strategy Statement [post scrutiny]	P Tysoe		
	Payment of Employee and Employer Contributions Policy [pre scrutiny]	M Oakensen		
	Pension Committee Minutes 08/10/2020	R Leighton/ J Walton		

## Cambridgeshire Pension Fund

### Pension Fund Board

Date: January 2021

Report by: Democratic Services Officer Rob Sanderson

Subject:	Re-Appointment to the Board of the Non-County Council Employer Representative
Purpose of the Report:	To address the need for an appointment to be made to the Board for the one employer representative place not appointed at the Annual County Council meeting for which the term of office expires in February.
Recommendations:	<p>The Pension Fund Board is asked to agree:</p> <ul style="list-style-type: none"> <li>a) To appoint Councillor Denis Payne for a further four-year term as an employer representative on the Pension Fund Board.</li> <li>b) To look to undertake an exercise in July 2021 to seek an employer representative substitute.</li> </ul>
Enquiries to:	<p>Name – Michelle Rowe – Democratic Services Manager  E-mail – <a href="mailto:michelle.rowe@cambridgeshire.gov.uk">michelle.rowe@cambridgeshire.gov.uk</a>  Telephone number: 01223 699180</p>

## 1. Background

- 1.1 Appointments to this Board are for a period of four years. The membership set out in the Constitution currently includes three employer representatives and three Scheme Member employee representatives. The method of appointment for the three employer representatives is that two are appointed by Cambridgeshire County Council at its Full Council meeting and all other members are appointed via an open and transparent selection process. When this is required, an application pack containing the terms of reference, an outline of the knowledge and understanding and capacity requirements is available and advertised to employers and members within the Fund. Following receipt of applications from potential representatives, a short listing and interview process involving the Council's Monitoring Officer or her representative determines that the representative has the required attributes to carry out the role effectively. At the request of the Board, the Monitoring Officer has agreed that the Chairman/woman and Vice-Chairman/woman of the Board can be involved in the interview process.

- 1.2 In addition to the recruitment process referenced above, it is recognised that this can be a costly and time-consuming process and in May 2019 when the three employee representatives' terms of office were nearing their end, as all three had indicated that they were happy to serve again, a different process was adopted. This recognised that to be able to fully participate in the business of Board meetings requires a

considerable amount of training in terms of the background knowledge regarding pensions' regulations and Pension Fund investments. Taking into account the amount of training already undertaken by the three members, the cost already incurred, the difficulty of finding people with a similar level of knowledge and that there appeared to be no legal reason to prevent their re-appointment, the Board recommended to the Monitoring Officer that the three were appointed for a further four year term. (Relevant extract from the regulations are set out in Appendix 1.

## 2. Proposals

- 2.1 Councillor Payne, one of the employer representatives on the Board was not appointed by the County Council. He joined the Board in February 2017 following an open and transparent recruitment process. His four-year term of office expires on the 3rd February. Having already been approached by Democratic Services, he has indicated that if the Board is minded to agree to his re-appointment, he would be very happy to serve for another four-year-term of office. In addition, Pensions officers have indicated that due to the continued strains placed on the Service by the corona virus pandemic and the need to prioritise their work areas, they would not be able to assist in any recruitment exercise for at least six months. Failure to re-appoint would result in an unbalanced Board with one vacancy.
- 2.2. Due to his considerable knowledge in the area, and the training he has already received, Councillor Payne is a highly respected member of the Board who contributes greatly to the discussion at Board meetings. His reappointment will provide stability in terms of employer representation – the other two employer representatives are appointed in light of the wider demands of the Council, which sometimes means the Fund can unfortunately lose an experienced Member following the Annual County Council Meeting. This would provide stability, subject of course to the democratic process. For these reasons, the recommendation is that Councillor Payne is re-appointed to the Board for a further, four-year term. The Monitoring Officer has already been approached, and for the reasons set out, agrees that this is the most sensible and mutually advantageous course of action.
- 2.3 The Board will be aware that at the November meeting it was agreed that Scheme members should have substitutes in order to provide greater resilience. It is suggested that Democratic Services and Pensions officers look to undertake a further recruitment exercise in July 2021 to seek to obtain a suitable substitute employer representative for Councillor Payne. This would have two advantages, once that person has received the appropriate level of training they would be able to substitute for Councillor Payne, and they will also be the ideal person to take over when Councillor Payne's term of office ends, or if for any reason, he chooses to step down before his term of office expires.

## 3. Relevant Fund Objectives

- 3.1 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.
  - 3.2 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.
  - 3.3 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. Finance & Resources Implications
- 4.1 Not applicable at this stage. There would be a cost to the propose recruitment exercise and training programme for the appointment of a substitute.

5. Risk Implications

5.1 Not applicable.

6. Communication Implications

6.1 Not applicable.

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 [Agenda and Minutes of Local Pension Fund Board meetings 3rd May 2019 and 6th November 2020](#)

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?	Not applicable
Has this Report been checked by the Monitoring Officer	Yes
Has this report been cleared by Head of Pensions?	Yes



**2.2 The regulations that apply to the Board membership are as follows:**

**Local pension boards: membership**

107.—(1) Subject to this regulation each administering authority shall determine—

- (a) the membership of the local pension board;
- (b) the manner in which members of the local pension board may be appointed and removed;
- (c) the terms of appointment of members of the local pension board.

(2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

- (a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and
- (b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.

(3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—

- (a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and
- (b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.

(4) Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

- (a) a person to be designated as an employer representative has the capacity to represent employers; and



(b) a person to be designated as a member representative has the capacity to represent members.



# CAMBRIDGESHIRE PENSION FUND

Agenda Item: 7

## Pension Fund Board

Date: 22 February 2021

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan Update report 2020/21
Purpose of the Report	To present the Business Plan Update for the period 1 October 2020 to 31 January 2021
Recommendations	The Pension Fund Board is asked to note the Business Plan Update to 31 January 2021
Enquiries to:	Mark Whitby, Head of Pensions <a href="mailto:mwhitby@northamptonshire.gov.uk">mwhitby@northamptonshire.gov.uk</a>

### 1. Background

- 1.1 Good governance requires that updates to the pre-agreed Annual Business Plan and Medium-Term Strategy are provided to the Board on a regular basis. This update highlights the progress made on the key activities for the period up to the end of 2020/21 financial year.
- 1.2 A full list of the key fund activities for the 2020/21 financial year can be found in appendix 1 of this report.

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

- 2.1 The tables in appendix 2 provide an update of the Fund account, investment and administration income and expenditure against the cash flow projection outlined in the Annual Business Plan as agreed by the Pension Fund Committee in June 2020.

### 3. Key Pension Fund Activities

- 3.1 Service Delivery (SD)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
SD1	Undertake a review of the Business Continuity Plan	✓	✓	✓			

SD2	Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations		✓	✓	✓		
SD5	Re-tender/extend contract for mortality screening and address tracing services			✓		✓	

### 3.1.1 SD1 - Undertake a review of the Business Continuity Plan

Action: The Business Continuity Plan (BCP) covering the Fund's governance and administration is now due for a full review. This review will help ensure appropriate arrangements are being put in place to facilitate the seamless transition of shared service administration from Northamptonshire County Council to West Northamptonshire Council on 1 April 2021 and incorporate any learning points from the pandemic.

Update: Aquila Heywood undertook penetration testing in December and undertake disaster recovery testing each May. The results of the most recent testing will be verbally updated at this meeting.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Test resilience with Aquila Heywood (pensions administration/payroll supplier)	Dec 2020 – Jan 2021	Green – completed.
Test resilience with the new corporate BCP	Apr 2021 - May 2021	Green
Scrutiny of Business Continuity arrangements by Local Pension Board	July 2021	Green
Update Pension Fund Committee on Business Continuity arrangements	July 2021	Green

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

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

Update: Officers carried out a cyber-security self-assessment using the Aon cyber-security score card. The results were submitted to Aon who have analysed the results and produced a report setting out the recommendations to improve the Fund's cyber resilience. The next steps are to map out the Fund's assets and data flows to identify areas of risk at the same time as developing a cyber-strategy/action plan to implement changes that will increase the Fund's resilience to cyber-crime.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Ensure officers undertake mandatory cyber-security training	July – September 2020	Completed.
Investigate current security and other measures implemented by Northamptonshire County Council and key partners designed to mitigate cyber-crime	July – September 2020	Completed – results fed into cyber score-card assessment.
Complete cyber score card self-assessment	October to December 2021	Green – completed.
Obtain specialist advice on how the Fund can improve its resilience to cyber-crime	January to March 2021	Green – completed
Develop a cyber-strategy /action plan to improve resilience to cyber-crime	March 2021	Green – on target
Implement action plan	From April 2021	Green – on target

### 3.1.3 SD5 - Re-tender/extend contracts for mortality screening and address tracing services

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

Update: A decision to extend the mortality screening contract by two years has been made. The address tracing service contract is to be formally amended by a contract variation to an ad hoc service to meet the needs of the service.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Decision to procure or extend mortality screening contract	December 2020	Completed.
Decision to procure or extend Address tracing contract	December 2020	Completed.
Initiate relevant decisions	April 2021	Green

### 3.2 Governance and compliance (GC)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
GC1	Complete the Guaranteed Minimum Pension Rectification	✓	✓	✓	✓	✓	

### 3.2.1 GC1 Complete the Guaranteed Minimum Pension Rectification

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

Update: Due to the absence of a key member of staff for a three-month period and reallocation of resources within the team to manage priorities the planning stage of this project has been deferred to April 2021 with the intention of the rectification work commencing in June 2021 once other statutory annual data activities have been completed. The postponement of the lead in activities will not have any impact on the scheduled end date of the overall project.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Receipt of final data file from HMRC	June 2020	Amber - data supplied by HMRC in July 20
ITM Limited to supply data on which member records require rectification	September 2020	Amber – data scheduled to be received in November 2020
Produce project plan to rectify records	October 2020	Amber – data not received until November. Activity rescheduled to April 2021
Implement project plan	November 2020 to December 2021	Amber– rescheduled to begin June 2021 but end date not impacted.

### 3.3 Communications, Systems and Employer Management (CSEM)

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

#### 3.3.1 CSEM1 – Undertake a digital strategy review

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

**Update:** The roll out of monthly employer data collection has been progressing well with data for 92% of the membership being provided by employers on a monthly basis. For the remaining 8% the aim is for employers to be on board by the end of the scheme year, with some exceptions where the employer will shortly be changing payroll system or provider. The monthly data collection will start for these employers once their new payroll systems/providers are in place.

Work on formulating a digital processing plan has now become unnecessary as the majority of the desired outcomes were achieved as part of the response to the pandemic. Design principles have been embedded that require all new process have minimum manual intervention and where this is required it is carried out at the lowest appropriate level within the organisation. Communicating with members is conducted digitally as standard including uploading letters and documents to members' online pension accounts instead of posting them. A number of applications have been developed to streamline and automate processes as much as possible. This includes checking the membership data submitted by employers and quality checks on individual member's records to assist with bulk processing, where possible.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Complete roll out of monthly employer data collection	2020/21	Green - on target
Undertake website accessibility review	April to October 2020	Completed
Formulate digital processing plan	June to December 2020	No longer required
Investigate the feasibility of using e-forms	April to December 2020	Completed

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

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

Update: Officers have been working on possible ways to analyse the data within the system to identify which employers need more engagement. Test data has been collated for some members where relevant and checks are being refined to try and identify where there is missing data.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Develop requirements and plan for data collection activities	October 2020 to March 2021	Green On Target

### 3.3.3 CSEM4 – Implement multiple investment strategies

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

Update: Officers have been working with the Fund Actuary to investigate the options available for implementing multiple investment strategies. During these discussions it became apparent that more detailed analysis of the different options were needed. In particular officers were of the view that modelling of the different strategy options were required to assess whether or not better outcomes could be achieved. A proposal was put before the Committee to seek permission to move on to the next stage of the project and approve additional expenditure for required modelling. This was approved at the December meeting and officers are now working with the actuary to progress through the next stage.



<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Work with the Fund's advisors to assess possible appropriate options	June to September 2020	Completed
Present progress update to the Pension Fund Committee and seek approval for next stages.	October 2020	Green - rescheduled to December 2020 and completed
Modelling of different investment strategies.	December 2020 to February 2021	Green – on target
Agreement and implementation of multiple investment strategies.	2021/22	Subject to prior decision.

### 3.4 Operations (OPS)

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

#### 3.4.1 OPS1 – Resolution of undecided leavers

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

As at April 2020 the number of unprocessed leavers had reduced from 11,082 to 9,636 inclusive of BAU volumes. The target for 2020-21 is to reduce the number of unprocessed leavers to approximately 7,500 cases by the end of the year and then down to BAU volumes during 2021-22.

Update: As of December 2020 the number of unprocessed leavers has increased from 9,636 to circa 10,000 inclusive of BAU. The impact of the pandemic and the switch to monthly data provision via i-Connect, which creates additional transactional activity to be managed, has meant that this activity has not progressed as expected.

However, it is clear that reporting total unprocessed leavers is unhelpful due to the volume that will always be present as a business as usual baseline. For next year's Business Plan the volume of genuine aged cases will be reported instead; the volume of cases over 6 months from notification by the scheme employer and the subset of those where we are still awaiting information in order to process.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Baseline backlog cases for reporting purposes	April 2020	Completed
Aon clearance of approximately 1,300	By March 2021	Red – started processing late
Internal clearance of cases to reduce volumes to 5,000 cases	By March 2021	Red – revised target 7,500 cases
Internal clearance of cases to reduce volumes to circa 3,000 (including contingency for any not processed in 2020-21)	2021/22	Amber – as revised 2020/21 target will require more cases processed in 2021/22

### 3.4.2 OPS2 – Scope and conduct potential liability reduction exercises

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

It has become increasingly common for pension schemes to look at ways of reducing the number of such records, communicating with these members in order to assess their eligibility and desire to receive payment of the refund or fully commute their benefits.

Update: As of January 2021, 1,242 (18%) out of 6,830 members had been contacted and been given the opportunity to claim a frozen refund. 453 members have since received a refund, transferred out or aggregated with a new record.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Scope exercise (refunds)	May 2020	Completed
Formulate project plan (refunds)	June 2020	Completed
Conduct exercise (review all refund cases to ensure that all letters and forms have been issued)	Thru to end of 2021/22	Green – on target
Scope exercise, formulate project plan and conduct exercise (small commutable pensions)	2022/23	Green - Future activity

### 3.5 Investments and fund accountancy (INV)

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

#### 3.5.1 INV1 – Implement strategic allocation to fixed income

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

**Update:** The Fund invested in Multi Asset Credit funds managed by Bluebay and M&G in September 2020 and, following the approval by the Pension Fund Committee in October of an increased strategic allocation, completed additional subscriptions to these funds in November 2020.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Agree scope and allocation(s)	July to September 2020	Completed
Undertake manager selection	November 2020 to February 2021	Completed
Implementation	March 2021 to June 2021	Completed

#### 3.5.2 INV2 - Re-tender for investment consultancy services

**Action:** The investment consultancy contract with Mercer LLC was extended in September 2017 for three years to 30 September 2020 and requires re-tendering in 2020/21 through the National LGPS Frameworks. This will be a joint procurement with the Northamptonshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

Update: Officers have prepared the tender documentation for issue to the seven suppliers on the Framework in early February 2021. Interviews of short-listed suppliers are scheduled for late March 2021.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Commence re-tender process	October 2020 to April 2021	Green – on target
Arrange selection day	January 2021 to June 2021	Green – on target
Complete procurement	By September 2021	Green – on target

### 3.5.3 INV3 - Continue development of the asset pool

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

Update: The launches of the remaining scheduled liquid sub-funds have been delayed to resolve operational issues between Link and the depositary, Northern Trust. The evaluation of emerging markets equity managers was completed in January 2021 with moderation due in early February to confirm the managers of two proposed sub-funds. The proposed pooling structures and the procurement of an Implementation Adviser for the Illiquid Assets solution were approved by the ACCESS Joint Committee in January 2021.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Liquid assets (complete remaining tranches as they arise)	October 2020 to April 2021	Amber – delay due to focus of other authorities on pandemic response. Operation and technical issues have delayed the launch of the remaining tranches.
Liquid Assets (support the establishment of an emerging markets equities sub fund)	March 2021	Green – on target
Illiquid Assets (continue to support the illiquid asset pooling solution)	2020/21 to 2021/22	Green – on target

### 3.5.4 INV5- Reviews the Fund's Responsible Investment Policy

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

Due to the pandemic the training will be provided remotely via suitable media applications to maintain momentum with regard to this initiative. Concurrently the Fund will obtain an RI report to commence the journey to better understand where the Fund benchmarks across a spectrum of ESG and carbon foot printing, the key aspects of which was presented at the July training event.

Update: A draft Responsible Investment Policy will be presented to the Investment Sub Committee in February 2021 and, if approved, will be presented to the Pension Fund Committee for approval in March 2021.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Production of ESG and Carbon foot-printing Benchmarking report	May 2020	Completed
Deliver responsible Investment Training (Information Day)	July 2020	Completed
Undertake Responsible Investment beliefs survey	July 2020	Completed
Develop Responsible Investment Policy	August to December 2020	Completed
ISC to approve RI Policy	February 2021	Green – on target
Pensions Committee to approve RI Policy for consultation (to be incorporated into Investment Strategy Statement (ISS))	March 2021	Green – on target
Consultation on revised ISS incorporating a revised RI Policy	April 2021 to June 2021	Green – on target

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

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

Update: Officers have participated in the supplier selection for the National Framework and the successful suppliers have been notified but are in the confidential stand still stage. A Task and Finish group has been formed with ACCESS partners to call off the framework and the group has met twice to date to define the service specification and agree a timetable for delivery.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Work with other LGPS funds to create a framework	April 20 to January 21	Completed
Work with ACCESS partners to call off a common custodian	Dec 2020 to June 2021	Green - on target
Complete transition to the new Custodian (if required)	July 2021 to Sep 2021	Green – future activity

## 4. Relevant Fund objectives

- 4.1 To continually monitor and measure clearly-articulated objectives through business planning.

## 5. Risk Management

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

<b>Risk No.</b>	<b>Risk</b>	<b>Residual risk rating</b>
8.	Those charged with the governance are unable to fulfil their responsibilities effectively	Green
14.	Failure to administer the scheme in line with regulations and guidance	Green
16.	Pension Fund objectives not defined and agreed	Green

- 5.3 A full version of the Fund risk register can be found at the following link –  
<https://pensions.northamptonshire.gov.uk/app/uploads/2020/06/CPFRiskRegisterJune20.pdf>

## 6. Communication Implications

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

- 7.1 Any updated financial implications are set out in the relevant activities.

## 8. Legal Implications

- 8.1 Not applicable

## 9. Consultation with Key Advisers

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

## 10. Alternative Options Considered

- 10.1 Not applicable

## 11. Background Papers

- 11.1 Annual Business Plan and Medium Term Strategy 2020/21 –  
<https://pensions.northamptonshire.gov.uk/app/uploads/2020/07/AnnualBusinessPlanAndMediumTermStrategyCambridgeshire2020.21.pdf>

## 12. Appendices

- 12.1 Appendix 1 – Full list of Key Fund Activities for the 2020/21 financial year.
- 12.2 Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions.

Checklist of Key Approvals	
Has this report been cleared by the Head of Pensions?	Mark Whitby – 11 February 2021

Appendix 1 – Full list of Key Fund Activities for the 2020/21 financial year.

Service delivery

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

Governance and Compliance

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

Communications, Systems and Employer Management



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

## Operations

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

## Investments

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

Appendix 2 – Variances against the forecast of investments and administration expenses based on original setting of assumptions

Fund Account	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	130,000	147,696	17,696	The increase in contributions reflects a couple of employers paying their 3-year deficit in the first year of 2019  Demand led
Transfers in from other pension funds	5,200	6,708	1,508	
<b>Total income</b>	<b>135,200</b>	<b>154,404</b>	<b>19,204</b>	
Benefits payable	(114,000)	(111,352)	(2,648)	Demand led
Payments to and on account of leavers	(10,200)	(6,891)	(3,309)	
<b>Total Payments</b>	<b>(124,200)</b>	<b>(118,243)</b>	<b>(5,957)</b>	
	<b>11,000</b>	<b>36,161</b>	<b>25,161</b>	
Management Expenses	(5,149)	(4,586)	(563)	See below
<b>Total income less expenditure</b>	<b>5,851</b>	<b>31,575</b>	<b>25,724</b>	
Investment income	<b>40,000</b>	<b>28,000</b>	<b>(12,000)</b>	30% income decline. Average estimated by investment managers.
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	<b>69,000</b>	<b>69,000</b>	-	
<b>Net return on investments</b>	<b>109,000</b>	<b>97,000</b>	<b>(12,000)</b>	
<b>Net increase/(decrease) in the net assets available for benefits during the year</b>	<b>114,851</b>	<b>128,575</b>	<b>13,724</b>	

<b>Management Expenses</b>	<b>2020-21 Estimate</b>	<b>2020-21 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Total Administration Expenses	(2,644)	(2,790)	146	See below
Total Governance Expenses	(784)	(699)	(85)	Decrease in Cllr training, hire of facilities due to COVID 19 and legal and consultancy costs lower than expected.
Total Investment Invoiced Expenses	(1,721)	(1,097)	(624)	Investment assets moving into pooled arrangements
<b>Total Management Expenses</b>	<b>(5,149)</b>	<b>(4,586)</b>	<b>(563)</b>	

<b>Administration Expenses Analysis</b>	<b>2020-21 Estimate</b>	<b>2020-21 Forecast</b>	<b>Variance</b>	<b>Comments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Staff Related	(1,423)	(1,518)	95	Vacancy factor lower than forecast due to COVID-19 plus the addition of one Pension Officer within Service. There has been a reduction in agency cost and staff training costs.
Altair System and payroll system	(336)	(355)	19	
Data Improvement Projects	(313)	(350)	37	Additional software licensing costs for third party project activity
Communications	(71)	(71)	-	
Other Non-Pay and Income	(16)	(11)	(5)	
County Council Overhead Recovery	(485)	(485)	-	
<b>Total Administration Expenses</b>	<b>(2,644)</b>	<b>(2,790)</b>	<b>146</b>	

Negative figures represent decreases on income and expenditure  
Positive figures represent increases on income and expenditure



## **CAMBRIDGESHIRE PENSION FUND**

### **Pension Fund Board**

22<sup>nd</sup> February 2021

Report by: Head of Pensions

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

1. Background
  - 1.1 One of the core functions of the Pension Fund Board is to ensure the effective and efficient governance and administration of the scheme. This report demonstrates a number of key areas of administration performance for consideration by the Pension Fund Board.
2. Key Performance Indicators – Pensions Service
  - 2.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of the Pensions Service.
  - 2.2 Full KPI details for the period 1<sup>st</sup> October 2020 to 31<sup>st</sup> January 2021 can be found in appendix 1.
3. Receipt of Employee and Employer Contributions
  - 3.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19<sup>th</sup> of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
  - 3.2 The table in appendix 2 shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1<sup>st</sup> December 2019 to 30<sup>th</sup> November 2020.

3.3 Details of late paying employers for September, October and November 2020 can be found in the exempt appendix (appendix 3) of the report.

#### 4. Breaches of the Law

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

4.2 For the period 1<sup>st</sup> October 2020 to 31<sup>st</sup> January 2021, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	12 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5-year period.	No further action at this stage. It is likely that the legislation surrounding this will be amended to remove the 5 year requirement.

#### 5. Internal Dispute Resolution Procedure

5.1 Members, prospective members, and beneficiaries may not always agree with pension decisions that are made, or may be unhappy that decisions have not been made, by either an administering authority or a scheme employer. The Internal Dispute Resolution Procedure (IDRP) is the route by which they may raise their concerns and challenge such decisions.

5.2 In the period 1<sup>st</sup> October 2020 to 31<sup>st</sup> January 2021 the following activity occurred:

Nature of dispute	Stage 1 (Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Seeking reinstatement / compensation for LGPS benefits that were transferred to an overseas pension scheme in 2015 (received 5 December 2019)	Information gathering has been undertaken with the claims management company during the course of 2020. There have been issues with the claims company not receiving postal communications during the pandemic. Decision to be made on 19 February 2021.	N/A

Transferred out to an occupational pension scheme in 2012 and would now like to be reinstated back into the LGPS (received 13 July 2020)	Not upheld (11 September 2020)	Received 9 October 2020. Not upheld (8 December 2020)
Tier 1 ill health estimate of benefits over-stated compared with final benefits payable (received 13 July 2020)	Partially upheld (25 September 2020)	Received 6 October 2020. Not upheld – agreed with findings at stage 1 (4 December 2020)
Delay in providing payment of LGPS benefits and additional voluntary contributions (received 4 December 2020)	Partially upheld (3 January 2021)	N/A

## 6. Employers Admissions and Cessations

### 6.1 The following admitted bodies were admitted to the Cambridgeshire Pension Fund:

- ABM Catering Limited (Brewsters Avenue Infant School)
- Stevenage Leisure Limited – CMAT
- CMAT Educational Services Limited

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

- Carers Trust
- Kingdom Services Group
- Lunchtime (Colville Primary School)
- Lunchtime (St Laurence Catholic Primary School)
- Lunchtime (Waterbeach)
- Easy Clean (The Phoenix School – phase 1 juniors)
- Compass Contract Services (Kings Meadow Primary)
- ADeC

## 7. Relevant Pension Fund Objectives

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

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

Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment. <i>Objective 3</i>
Continually monitor and measure clearly articulated objectives through business planning <i>Objective 4</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. <i>Objective 8</i>
Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. <i>Objective 10</i>

## 8. Risk Management

8.1 The Fund's Administration Strategy sets out the performance standards of both the scheme employer and the administering authority. The Pension Fund Committee and Pension Fund Board are expected to monitor performance standards through information contained within the Administration Report which is presented at each meeting.

8.2 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

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

8.3 The Fund's risk register can be found on the Pensions website at the following link: <https://pensions.northamptonshire.gov.uk/app/uploads/2020/06/CPFRiskRegisterJune20.pdf>

## 9. Communication Implications

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

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

## 11. Legal Implications



- 11.1 Not applicable
- 12. Consultation with Key Advisers
  - 12.1 Consultation with the Fund's advisers was not required for this report.
- 13. Alternative Options Considered
  - 13.1 Not applicable
- 14. Background Papers
  - 14.1 Not applicable
- 15. Appendices
  - 15.1 Appendix 1 Key Performance Indicators – Pensions Service
  - 15.2 Appendix 2 Receipt of Employee and Employer Contributions
  - 15.3 Appendix 3 Late payments of employee and employer contributions (exempt)

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 8/2/21

## Appendix 1 - Key Performance Indicators – Pensions Service October, November, December 2020 and January 2021

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	October: 194 November: 168 December: 139 January: 177	174 151 117 170	20 17 22 7	89 89 84 96	Amber Amber Amber Green	SLA target not met* SLA target not met* SLA target not met* SLA target met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	October: 43 November: 38 December: 38 January: 41	38 38 37 39	5 0 1 2	88 100 97 95	Amber Green Green Green	SLA target not met** SLA target met SLA target met SLA target met
Payment of pension benefits from deferred membership status	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	October: 56  November: 69 December: 52 January: 46	38  66 51 39	18  6 1 7	68  95 98 84	Red  Green Green Amber	SLA target not met*** SLA target met SLA target met SLA target not met***
Award dependant benefits – <b>Statutory</b>	Issue award within 5 working days of receiving all necessary information.	95%	October: 37  November: 34 December: 35 January: 35	35  34 34 35	2  0 1 0	94  100 97 100	Amber  Green Green Green	SLA target not met**** SLA target met SLA target met SLA target met
Provide a maximum of one estimate of benefits to employees per year on request – <b>Statutory</b>	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	October: 48 November: 60 December: 41 January: 47	47 60 39 45	1 0 2 2	98 100 95 95	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met
Provide transfer-in quote to scheme member – <b>Statutory</b>	Letter issued within 10 working days of receipt of all appropriate information.	95%	October: 62 November: 10 December: 55  January: 37	61 10 50  36	1 0 5  1	98 100 90  97	Green Green Amber  Green	SLA target met SLA target met SLA target not met***** SLA target met
Payment of transfer out – <b>Statutory</b>	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	October: 5 November: 1 December: 6 January: 50	5 1 6 50	0 0 0 0	100 100 100 100	Green Green Green Green	SLA target met SLA target met SLA target met SLA target met

\*Notify leavers of deferred benefit entitlement – High volumes and staff not at full capacity have resulted in the missed targets in this area. A recruitment exercise has resulted in a new officer joining the team so the delays in this area should resolve going forward.

\*\*Payment of retirement benefits from active employment - High work volume plus a number of staff on leave resulted in the missed target in October.

\*\*\*Payment of pension benefits from deferred membership status – In October this area of casework was not appropriately prioritised. January was missed due to workload and a vacancy within the team.

\*\*\*\*Provide a maximum of one estimate of benefits to employees per year on request – The team has not been at full capacity and this has impacted this area. A recruitment exercise has resulted in a new officer joining the team so the delays in this area should resolve going forward.

\*\*\*\*\*Provide transfer-in quote to scheme member – The team not being at full capacity impacted this area, accompanied by a training issue identified. A new officer has been appointed and the training issue being addressed.

Green: Equal to or above Service Level Agreement (SLA) target.

Amber: If there is a statutory target - below SLA target, but all within statutory target.  
If there is no statutory target - below SLA target, but number completed within target is within 10% of the SLA target.

Red: If there is a statutory target - below SLA target and not within statutory target.  
If there is no statutory target - below SLA target and number completed within target is not within 10% of the SLA target

Appendix 2 - Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
December 2019	97.1	2.9	97.1	2.9
January 2020	98.7	1.3	98.7	1.3
February 2020	96.6	3.4	96.7	3.3
March 2020	99.8	0.2	100	0
April 2020	99.6	0.4	99.3	0.7
May 2020	100	0	100	0
June 2020	99.5	0.5	99.3	0.7
July 2020	99.3	0.7	100	0
August 2020	99.6	0.4	99.6	0.4
September 2020	99.8	0.2	99.8	0.2
October 2020	100	0	100	0
November 2020	100	0	100	0
Average for period	99.2	0.8	99.2	0.8

# Cambridgeshire Pension Fund

## Pension Fund Board

22 February 2021

Report by: Head of Pensions

Subject:	Governance and Compliance Report
Purpose of the Report	To provide the Pension Fund Committee with information on: 1) The Public Sector Exit Cap (section 2) 2) The activities of the Pensions Regulator (section 3) 3) Future Developments 4) Skills and knowledge opportunities (section 4) and appendix 2.
Recommendations	That the Pension Fund Board notes the content of the report.
Enquiries to:	Jo Walton – Governance and Regulations Manager, E-mail: <a href="mailto:jwalton@northamptonshire.gov.uk">jwalton@northamptonshire.gov.uk</a>

### 1. Background

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

### 2. Public Sector Exit Cap Update

- 2.1 The Ministry of Housing, Communities and Local Government (MHCLG) launched a consultation on the reform of exit payments in local government on 7 September 2020, with a closing date for responses of 9 November 2020. The consultation document set out policy intention and proposals which specifically affect individuals who are eligible to be members of the LGPS (in England) but no associated draft regulations were included.
- 2.2 On 14 October 2020, during the consultation period, associated draft regulations were issued for comment - the Local Government Pension Scheme (Restriction of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payments) (England and Wales) Regulations 2020. These cover revisions to discretionary payments and amendments to the LGPS regarding payment of benefits on redundancy or leaving on grounds of business efficiency at or after age 55.

- 2.3 The consultation closed on 9 November 2020, with comments on the associated draft regulations being accepted until 18 December 2020. The administering authority's consultation response can be found here; <http://pensions.northamptonshire.gov.uk/app/uploads/2021/02/CPFExitPaymentReformConsultationResponse.pdf>, and the further response containing comments on the draft regulations can also be found here; <https://pensions.northamptonshire.gov.uk/app/uploads/2021/02/CPFLGPSAmendRegsConsultationResponse.pdf>.
- 2.4 During the above consultation period The Restriction of Public Sector Exit Payment Regulations 2020 were signed on 20 October 2020 and came into force from 4 November 2020. These apply to all the public service employers as detailed in the schedule to the Regulations and set a cap on aggregate exit payments of £95,000.
- 2.5 The term exit payments include redundancy payments (both statutory and discretionary), severance payments, pension strain costs which arise when a LGPS pension is paid unreduced before a member's normal pension age and other such payments made as a consequence of termination of employment.
- 2.6 There are limited circumstances when the cap must, or may, be relaxed by a minister or the scheme employer. However, this is likely to be subject to consent by HM Treasury even if passed by full Council.
- 2.7 With The Restriction of Public Sector Exit Payment Regulations 2020 coming into force before the amendments proposed in the MHCLG consultation could be made, there is a conflict in the legislation that can impact those LGPS members who leave on redundancy or business efficiency grounds if they have attained age 55; the LGPS currently requires immediate payment of unreduced benefits in those circumstances, and for the scheme employer to meet the pension strain cost, but the cap may mean they cannot pay this strain cost in addition to other exit payments as they total more than £95,000.
- 2.8 Differing views have been expressed by MHCLG, in a letter from Luke Hall MP dated 28 October 2020, and the Scheme Advisory Board (SAB), in a commentary issued on 30 October 2020 following a view from QC James Goudie, as to the legal position and how administering authorities and scheme employers should proceed from 4 November 2020 until the proposed amendments to the LGPS Regulations are in place.
- 2.9 Officers have now sought legal advice on behalf of the administering authority as to how to proceed in light of the differing views of the Scheme Advisory Board and MHCLG and in the absence of the amended LGPS Regulations. The advice received from the administering authority's legal advisor, Squire Patton Boggs, was in line with that of the Scheme Advisory Board; to offer members who would exceed the £95K cap a deferred benefit or a fully actuarially reduced pension (also the MHCLG view) with a strong recommendation for the scheme employer to delay payment of the 'cash alternative' being proposed by MHCLG (this 'cash alternative' being the capped pension strain cost minus statutory and discretionary redundancy pay).
- 2.10 This approach provides maximum flexibility for both administering authority and the scheme employer to minimise the financial risk resulting from inevitable challenge from the scheme member denied what appears to be their right to an unreduced pension under existing LGPS Regulations.

- 2.11 All scheme employers have received detailed communications as to the administering authority's approach to the payment of benefits where a member leaves employment on the grounds of redundancy or business efficiency at or after age 55 with an exit payments totalling greater than £95K, until such time as the LGPS Regulations are amended. This information can be found on the Fund's website here:  
<https://pensions.northamptonshire.gov.uk/public-sector-exit-payments/>.
- 2.12 The legal advice received and the resultant decision to not pay members an unreduced immediate pension as they are entitled to under the current (un-amended) LGPS Regulations do not remove the risk of member's being dissatisfied with their awards. As such it should be expected that members could use the scheme's Internal Dispute Resolution Procedure to challenge decisions taken.
- 2.13 However, three requests for Judicial Review of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed to contest the Regulations on a number of grounds including their effect on the LGPS Regulations. It is understood that whilst members can still take their claims against the employer or administering authority through the two stage IDR process that the Pensions Ombudsman will not provide a ruling on such claims until the Judicial Reviews are complete, and the cases are not due to be heard before 24 March 2021.
- 2.14 MHCLG have indicated that the amendments to the LGPS Regulations will not be made until after the outcome of the Judicial Reviews is known.
- 2.15 Further developments on the Exit Cap will be provided to the Pension Fund Board at each meeting.

### **3. Activities of the Pensions Regulator**

#### **3.1 Pledge to combat pension scams**

- 3.1.1 On 10 November 2020, the Pensions Regulator (TPR) launched the pledge to combat pension scams campaign as supported by the Pension Scams Industry Group (PSIG).
- 3.1.2 TPR is urging administering authorities to help protect scheme members thinking of transferring their pensions. According to complaints filed with Action Fraud, more than £30m (across all types of pension schemes) has been reportedly lost to scammers since 2017. By making a pledge and following the principles of PSIG the administering authority is demonstrating its intention to protect scheme members and that there is a commitment to preventing pension scams.
- 3.1.3 The process to sign up to the pledge involves a number of activities concerning ensuring robust processes, regular communications to scheme members and signposting to the Financial Conduct Authority's ScamSmart website and reference materials. Officers, Committee and Board members are also encouraged to undertake the scams module within TPR's trustee toolkit. Members of the Pension Fund Board have been contacted about this requirement and have been asked to complete the module by 17 March 2021 to enable Officers to sign up to the Pledge as soon as is practicably possible.

#### **3.2 Governance and Administration Survey 2019**

3.2.1 On 20 November 2020, TPR published the outcome of the public service pensions governance and administration survey for 2019. This is an anonymous survey to which the administering authority submitted a response.

3.2.2 The survey focusses on six key processes that TPR expect public service pension schemes to have in place. The table below details these processes and the percentage of survey participants that have these processes.

Process	2019
Documented policy to manage board member's conflicts of interest	92% (90% in 2018)
Have access to the knowledge, understanding and skills needed to properly run the scheme	97% (96% in 2018)
Have their own (not the administering authority's) documented procedures for assessing and managing risks)	82% (92% in 2018 but the question did not specify the need to have a scheme level risk processes)
Have processes to monitor records for accuracy/completeness	92% (91% in 2018)
Have a process for resolving contribution payment issues	92% (94% in 2018)
Have procedures to identify, asses and report breaches of the law	93% (93% in 2018)

- The Cambridgeshire Pension Fund has all the six key processes in place. Approximately two-thirds of participating public service pension schemes also had all six processes in place representing 71% of all memberships. Two-thirds of Local Government Pension Schemes had all six processes in place.

3.2.4 The full report can be found here: <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-governance-and-administration-survey-2019.ashx>.

## 4. Consultations

4.1 Department for Work and Pensions: Climate change

4.1.1 On 27 January 2021 the Department for Work and Pensions released its policy consultation response and consultation on regulations; Taking action on climate risk: improving governance and reporting by occupational pension schemes. The consultation closes on 10 March 2021.

4.1.2 The scope of the regulations do not include the LGPS however regulations are expected from MHCLG to substantially mirror the requirements set out in this document.

4.1.3 The investment information day held on 10 February 2021 contained information regarding this matter.

4.1.4 The consultation document can be found here [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/955950/taking-action-on-climate-risk-pensions-consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955950/taking-action-on-climate-risk-pensions-consultation.pdf).



## **5. Future developments**

- 5.1 At previous meetings of the Pension Fund Board reference has been made to the TPR's new singular code of practice, a revised CIPFA Skills and Knowledge Framework and the Scheme Advisory Board's Good Governance Review. All of which would lead to a review of the Fund's current governance processes and arrangements.
- 5.2 The pandemic has slowed down progress on these matters however a consultation on TPR's singular code of practice is expected to be launched in March 2021. On 11 February 2021 a roundtable event was held with TPR with representation from Aon, (the Fund's governance advisors), trustees from several private sector pension schemes and officers from a number of LGPS Funds including Cambridgeshire and Northamptonshire to review the code of practice before it is released for consultation.
- 5.3 The Board will be kept updated as to the progress of the code of practice as well as the CIPFA Skills and Knowledge Framework and the Good Governance Review at future meetings.

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

- 6.1 Section 248A of The Pensions Act 2004 as incorporated within The Pensions Regulator's Code of Practice (Governance and administration of public service pension schemes) requires all members of the Pension Fund Board to maintain the necessary skills and knowledge to undertake their role effectively.
- 6.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board appendix 1 lists the main events that are deemed useful and appropriate.
- 6.3 Requests to attend external events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.
- 6.4 It should be noted that the schedule of events in appendix 1 details only the events that are known to be taking place during the pandemic and are virtual/online events only. As soon confirmation is received that face-to-face events are able to be held an amended schedule of events will be issued.
- 6.5 It has been recognised that the forthcoming local elections may result in a significant change to the membership of both the Pension Fund Committee and the Pension Fund Board. As a result, officers are in the progress of scheduling training sessions for new members and these will also be open to existing members to refresh their knowledge. It is anticipated that there will be an introductory training session in late May/early June covering at a high level the knowledge requirements of being a Pension Fund Committee and Pension Fund Board member followed by a series of more in-depth training sessions to cover the eight CIPFA Skills and Knowledge core modules as follows:
  - Pensions legislations and guidance
  - Pensions governance
  - Funding strategy and actuarial methods
  - Pensions administration and communications
  - Pensions financial strategy, management, accounting, reporting and audit standards
  - Investment strategy, asset allocation, pooling, and performance and risk management
  - Financial markets and product knowledge

- Pensions services procurement, contract management and relationship management

6.6 A revised Training Strategy will be presented for the Pension Fund Board for comment at the April meeting.

## 7. Relevant Pension Fund Objectives

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

## 8. Risk Management

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

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

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

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

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

## **9. Finance & Resources Implications**

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

## **10. Communication Implications**

Training	All staff involved in the administration of the LGPS are aware of the new legislation and the impact on the calculation and payment of benefits from the scheme.
Employers	All relevant items are communicated to scheme employers via website updates.

## **11. Legal Implications**

- 11.1 Legal advice was sought from the administering authority's legal advisor on the application of the Exit Payment Cap as detailed in paragraph 2.10.

## **12. Consultation with Key Advisers**

- 12.1 Legal advice was sought from the administering authority's legal advisor on the application of the Exit Payment Cap as detailed in paragraph 2.10.

## **13. Alternative Options Considered**

- 13.1 There are no alternative options to be considered.

## **14. Background Papers**

- 14.1 Not applicable.

## **15. Appendices**

- 15.1 Appendix 1 – Schedule of virtual training events.

### **Checklist of Key Approvals**

Has this report been cleared by Head of Pensions?	Mark Whitby – 11 February 2021
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## Appendix 1

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

Date	Event Description	Audience	Knowledge Credits
4 – 5 February 2021	<p>Virtual – LAPF Strategic Investment Forum</p> <p>The forum will explore pressing investment issues within the LGPS and their impact on investment policy, asset allocation and resources.</p> <p><a href="https://www.dgpublishing.com/lapf-strategic-investment-forum-february/about/">https://www.dgpublishing.com/lapf-strategic-investment-forum-february/about/</a></p>	Pension Committee and Local Pension Board Members Officers	0.5 credits per session up to a maximum of 4
10 February 2021	<p>Virtual - Pensions Investment Information Session</p> <p>Task Force on Climate Related Financial Disclosures</p>	Pension Fund Committee and Pension Fund Board Members Officers	2
17 – 21 May 2021	<p>Virtual – Pensions and Lifetime Savings Association (PLSA) Local Authority Conference</p> <p>Dedicated to the LGPS. Key note speakers, specialist sessions and online exhibition.</p> <p>Further information will be updated at the following link: <a href="https://portal.plsahosting.org.uk/Events-Local-Authority-Conference">https://portal.plsahosting.org.uk/Events-Local-Authority-Conference</a></p> <p>Bookings open from December 2020</p>	Pension Fund Committee and Pension Fund Board Members Officers	0.5 credits per session up to a maximum of 4

**An updated programme of virtual in-house training will begin from May 2021 (further information to follow in due course).**



**Pension Fund Board**

Date: 22 February 2021

Report by: Head of Pensions

Subject:	Risk Monitoring
Purpose of the Report	<a href="#">To present the Cambridgeshire Pension Fund Risk Monitoring Report</a>
Recommendations	The Board is asked to review the current risks facing the Fund
Enquiries to:	Michelle Oakensen, Governance Officer, <a href="mailto:moakensen@northamptonshire.gov.uk">moakensen@northamptonshire.gov.uk</a>

**1. Background**

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28<sup>th</sup> March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.
- 1.2 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link:  
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

**2. Review of the Cambridgeshire Pension Fund Risk Register**

- 2.1 Following the most current review of the risk register, further mitigations have been identified following increased activity surrounding pension scams and cyber security.
- 2.2 The Fund is working to achieve full compliance with the Pensions Regulator pledge to combat pension scams which was launched in November 2020. This will provide members with assurance that as a Fund with have appropriate measures in place to assist in the identification of potential scams and will also protect the Fund from potential future claims of failing to identify scams and alert members accordingly.
- 2.3 The process of signing up to the pledge involves a number of activities ensuring robust processes, regular communications to scheme members and signposting to the Financial Conduct Authority's ScamSmart website as well as referencing other materials. Officers and members of the Pension Fund Committee and Pension Fund Board are also encouraged to undertake the Pension Regulator's pension scams module as part of the toolkit training programme. The Fund already meets a large number of the standards and will continue to work to achieve the additional expectations.
- 2.3 The risk register has been updated to reflect this as follows –

Risk No	Risk	Recommended inclusion
9	Risk of fraud and error	Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.
14	Failure to administer the scheme in line with regulations and guidance	
20	Failure to act appropriately upon expert advice and/or risk of poor advice	

2.4 In addition, Officers have also undertaken an assessment of the Fund's resilience to cyber-crime through the Fund's governance advisor, Aon. This has involved undertaking a scorecard assessment followed by a report detailing where improvements can be made to protect the Fund and its assets (financial and data) accordingly. An action plan is currently being produced and progress will be reported on regularly through the Business Plan.

2.5 The risk register has been updated to reflect this as follows –

Risk No	Risk	Recommended inclusion
13	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk	Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice.
20	Failure to act appropriately upon expert advice and/or risk of poor advice	

2.6 Board members are asked to review the full risk register located in **appendix 1** of this report and advise if the above officer conclusions as above are agreed.

### 3. Short to Medium term risks

3.1 The impact of the pandemic

3.1.1 The service is continuing to work in the main part remotely and use electronic platforms for business as usual activities. The service continues to run effectively and there is no cause for concern as to the continuation of this approach for the months ahead.

3.2 Administrative pressures facing the Fund

3.2.1 Upcoming changes to legislation on the capping and reforming of Local Government exit payments in the Public Sector will see the Fund faced with significant administration adjustments and associated communications with members.



- 3.2.2 Officers have now obtained legal advice following the differing views of the Scheme Advisory Board and Ministry of Housing, Communities and Local Government on the Local Government Reform. The advice was to offer members who would exceed the £95K cap a deferred benefit or a fully actuarially reduced pension with a strong recommendation for the scheme employer to delay payment of the 'cash alternative'. This approach minimises the financial risk resulting from inevitable challenge from some affected scheme members until such times as the LGPS Regulations are amended to reflect the Exit Cap regulations.
- 3.2.3 A communication has been sent to all scheme employers to confirm the approach and the Fund now needs to ensure the legislation is implemented and adhered to once the LGPS Regulations are amended.

#### 4. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
Ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
Continually monitor and measure clearly articulated objectives through business planning.
Deliver consistent plain English communications to stakeholders.
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
Ensure cash flows in to and out of the Fund are timely and of the correct amount.

#### 5. Risk Management

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

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

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

#### 6. Finance & Resources Implications

- 6.1 None.

#### 7. Communication Implications

<b>Website</b>	The risk register and risk strategy is on the Pension Service Website. The Local Pension Board will be kept up to date with risks at each meeting.
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#### 8. Legal Implications

8.1 Not applicable.

**9. Consultation with Key Advisers**

9.1 None

**10. Alternative Options Considered**

10.1 There are no alternative options to be considered

**11. Background Papers**

11.1 The Cambridgeshire Pension Fund Risk Strategy –  
<https://pensions.cambridgeshire.gov.uk/app/uploads/2019/04/Cambridgeshire-Risk-Strategy.pdf>

**12. Appendices**

12.1 Appendix 1 - The Cambridgeshire Pension Fund Risk Register

Checklist of Key Approvals	
Has this report been cleared by Head of Pensions?	Mark Whitby – 12/2/2021

## Appendix 1 – Cambridgeshire Pension Fund Risk Register

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

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

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

Overall responsibility rests with the Head of Pensions

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

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

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

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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
11.	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	3	4	12	A	<ul style="list-style-type: none"> <li>Employers are made aware of their responsibilities upon admission via the Pension Service website and direct employer communication.</li> <li>Training is provided to employers on a minimum quarterly basis and more often, if required.</li> <li>The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums.</li> <li>Support is also available through the website, dedicated employers help line and templates issued where applicable.</li> </ul>	2	3	6	G
12.	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	4	2	8	A	<ul style="list-style-type: none"> <li>The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework.</li> <li>Complete and authorised agreements are in place with external custodian.</li> <li>External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation.</li> <li>Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee.</li> </ul>	4	1	4	G



Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
13.	Pension Fund systems and data may not be secure and appropriately maintained - including cyber risk.	4	2	8	A	<ul style="list-style-type: none"> <li>System user controls are in place including regular password changes.</li> <li>Access rights are controlled and data is backed up.</li> <li>Audit trails are in place.</li> <li>Pension system is protected against viruses and other system threats.</li> <li>The pensions administration system is updated to ensure LGPS requirements are met.</li> <li>Hosted pensions server and backup server are at separate Bedfordshire sites.</li> <li>Disaster recovery plans are in place for both Heywood and the authority.</li> <li>Compulsory annual online training for Officers on Cyber resilience and Data Protection.</li> <li>Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice.</li> </ul>	4	1	4	G
14.	Failure to administer the scheme in line with regulations and guidance.	5	2	10	A	<ul style="list-style-type: none"> <li>Policies and strategies are in place and are accessible on the Fund website.</li> <li>Policies and strategies are subject to review at appropriate intervals and subject to stakeholder consultation where necessary.</li> <li>A Training Strategy is in place for those charged with governance.</li> <li>Officers attend working groups (such as EMPOG/SECSOG) and consult with professional advisors where appropriate.</li> <li>Employers are aware of their responsibilities within the Fund and what information is required, in what format and by when.</li> <li>The Fund subscribes to relevant professional bodies such as LAPFF and PLSA.</li> <li>Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</li> </ul>	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
15.	Failure to recognise and manage conflicts of interest.	4	2	8	A	<ul style="list-style-type: none"> <li>Declaration of interests are made at the beginning of all statutory meetings where not held on the County Councillor declaration register.</li> <li>Conflicts of Interest Policy in place for the Local Pension Board.</li> <li>Committee and Board members are encouraged to undertake the Pension Regulators Toolkit which includes a conflicts of interest module.</li> </ul>	2	2	4	G
16.	Pension Fund objectives are not defined and agreed.	4	2	8	A	<ul style="list-style-type: none"> <li>Objectives are agreed as part of the Annual Business Plan and Medium Term Strategy by the Pensions Committee.</li> <li>Relevant objectives are referenced on every committee report.</li> <li>Objectives are referenced in all policy documents and the risk register to ensure appropriate focus.</li> </ul>	2	2	4	G
17.	Failure to provide relevant information to the Pension Committee/Pension Board to enable informed decision making.	3	2	6	G	<ul style="list-style-type: none"> <li>Committee and Board papers are provided for each scheduled meeting, providing relevant information to inform decision making.</li> <li>Papers are subject to appropriate approvals including that of the Monitoring Officer and Section 151 Officer.</li> <li>Yearly effectiveness reviews for Committee and Board members are carried out to identify if any changes need to be made to the information delivered.</li> </ul>	2	2	4	G
18.	Pension Fund Investments may not be accurately valued.	3	2	6	G	<ul style="list-style-type: none"> <li>The Fund employs a custodian to independently review the fund asset values applied by Fund Managers and these valuations are applied in the year-end financial statements.</li> <li>The year-end financial statements record the Funds asset position and is subject to robust review by external audit.</li> <li>Officers work closely with the Funds Custodian to ensure accuracy of asset valuations.</li> </ul>	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
19.	Actual experience materially differs from actuarial assumptions used at each valuation.	3	3	9	A	<ul style="list-style-type: none"> <li>Assumptions and actual experience are analysed through triennial valuations to ensure assumptions remain appropriate.</li> <li>Early engagement with employers.</li> <li>The Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals which considers both strategic and operational aspects of investment.</li> <li>Officers are in partnership with Fund advisers report asset allocation performance quarterly to the Investment Sub Committee.</li> <li>Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions.</li> </ul>	2	2	4	G
20.	Failure to act appropriately upon expert advice and/or risk of poor advice.	4	2	8	A	<ul style="list-style-type: none"> <li>Pension Committee decisions and oversight by the Local Pension Board.</li> <li>Investment consultants and independent advisors appointed via a robust appointment process.</li> <li>Members are encouraged to participate in Skills &amp; Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained.</li> <li>Working to achieve full compliance with the Pensions Regulator pledge to combat pension scams.</li> <li>Continually keeping up to date with evolving developments ensure robust cyber resilience in conjunction with specialist advice.</li> </ul>	2	2	4	G

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

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

## Criteria for assessing impact and likelihood

### **Impact**

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

**Likelihood**

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





# CAMBRIDGESHIRE PENSION FUND

## Local Pension Board

Date: 22 February 2021

Report by: Head of Pensions

<b>Subject:</b>	<b>Administration Strategy Review</b>
<b>Purpose of the Report</b>	To present the amended Administration Strategy to the Local Pension Board for review, following approval by the Pension Fund Committee
<b>Recommendations</b>	<b>That the Board review the amended Administration Strategy</b>
<b>Enquiries to:</b>	Name – Cory Blose – Employer Services and Systems Manager Tel – 07990560829 E-mail – <a href="mailto:cblose@northamptonshire.gov.uk">cblose@northamptonshire.gov.uk</a>

## 1. Background

- 1.1 The Local Government Pension Scheme Regulations 2013 provide that administering authorities may prepare, maintain and publish a written Statement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.
- 1.2 The administration strategy was recently reviewed and amendments agreed by the Pension Fund Committee.
- 1.3 The Board is now asked to review and comment on the agreed strategy.

## 2. Purpose of the Policy

- 2.1 The aim of the Administration Strategy is to set out clearly what is expected from the administering authorities and the Funds' employers, in order to deliver a high quality, value for money service to Scheme members.
- 2.2 Having a strategy in place also enables an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer.

## 3. Review of the Administration Strategy

- 3.1 Appendix 1 provides a track changed version of the administration strategy for review by the Board.

3.2 The administration strategy has had numerous updates which can be categorised as:

- Removal of references to Cambridgeshire Pension Fund
- Removal of references to LGSS Pensions
- Minor drafting changes
- Updates to the wording of the objectives within the strategy to ensure these reflect the latest version of the Fund objectives
- Updates to KPIs where changes have been previously agreed by the Committee
- Removal of reference to service level agreements
- Updates to key activities to reflect current processes

3.3 Reference to service level agreements have been removed as these were not taken up by employers as expected.

#### 4. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. (Objective no 1)
Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. (Objective 2)
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. (Objective no 5)
Seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund. (Objective no 15)

#### 5. Finance and Resources Implications

5.1 None

#### 6. Risk Management

6.1 The Administration Strategy sets out the standards that will apply to the administering authority and employers to ensure delivery of a high quality, value for money service to Scheme members.

6.2 The risks associated with amending or not amending the strategy are captured below.

Risk No	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
6	Information may not be provided to stakeholders as required	Green
8	Those charged with governance are unable to fulfil their responsibilities effectively	Green
14	Failure to administer the scheme in line with regulations and guidance	Green
26	Incorrect/poor quality data held on the Pension Administration and Payroll platforms leading to incorrect information being provided to members and stakeholders.	Green

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

## **7. Communication Implications**

<b>Direct Communications</b>	A communication will be issued to inform employers that a draft version of the amended administration strategy has been published for consultation.
<b>Website</b>	The draft administration strategy will be published on the Fund's website

## **8. Legal Implications**

- 8.1 No immediate legal implications

## **9. Consultation with Key Advisers**

- 9.1 Not applicable

## **10. Alternative Options Considered**

- 10.1 None

## **11. Appendices**

- 11.1 Appendix 1 – Administration Strategy (tracked)

<b>Checklist of Key Approvals</b>	
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?	N/A
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 February 2021

# **CAMBRIDGESHIRE PENSION FUND & NORTHAMPTONSHIRE PENSION FUND**

## **ADMINISTRATION STRATEGY**

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## 1. Introduction

This document is the Administration Strategy of ~~Northamptonshire Local Government Pension Fund and~~ Cambridgeshire Local Government Pension Fund managed by ~~Northamptonshire County Council and~~ Cambridgeshire County Council respectively (the administering ~~authorities~~authority).

~~The administration of these Funds is carried out on behalf of the administering authorities by LGSS.~~

The aim of this strategy is to set out clearly what is expected from the administering ~~authorities~~authority and the Fund's' employers, in order to deliver a high quality, value for money service to ~~s~~Scheme members.

## 2. Administration Strategy

This version of the Administration Strategy was reviewed and agreed by the Pension Fund Committee on [enter date].~~is effective from 12<sup>th</sup> August 2017.~~ It will be reviewed annually/periodically to ensure the strategic objectives remain relevant.

A separate Business Plan including actions in relation to administration matters is produced and published~~—and—reviewed~~ annually. This outlines how ~~we—the~~ administering authority intends to deliver this strategy, including how we achieve our objectives, the measurements we have in place to monitor our success and a timetable of events.

### Regulatory framework

This ~~Statement strategy~~ has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that Aadministering Aauthorities may prepare, maintain and publish a written sStatement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 allows an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the administering authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

This Administration Strategy ~~of the Northamptonshire Pension Fund and Cambridgeshire Pension Fund~~ therefore sets out the information as required by the Regulations mentioned above.

Nothing in this strategy overrides the legal responsibilities of any parties, for example the statutory requirement<sup>1</sup> to notify the Pension Regulator in the event of a material breach of the law.

### Key objectives

This strategy has been developed to help the Fund meet the following objectives:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the

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<sup>1</sup> Under section 70 of the Pensions Act 2004



appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.

~~The administration of Northamptonshire Pension Fund and Cambridgeshire Pension Fund will be delivered in line with these objectives. We aim to:~~

- ~~• 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 each Fund 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 Fund.~~
- ~~• Put in place standards for each Fund and its employers and ensure these standards are monitored and developed as necessary.~~
- ~~• Ensure each Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.~~
- ~~• 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.~~

Measurements are in place to determine if these objectives are being met, which are published in the Administration Section of the Fund's' business plans.

## **Delivering the Objectives**

### **Method of Delivery**

~~The Funds' administration will be carried out by LGSS which, as an in-house shared service arrangement, benefits from the efficiency of joint delivery whilst retaining control within the two administering authorities to meet individual Fund objectives. The Funds will be proactive in setting strategies to which the LGSS services should adhere to, including this Administration Strategy.~~

### **Procedures for liaison and communication with employers and other stakeholders**

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the level of service in line with the Fund's objectives as well as ensuring that statutory requirements are met.

In particular, the administering authority relies on employers to provide them with the appropriate information to maintain accurate records and pay accurate benefits. The Funds acknowledge that this is a partnership arrangement, underlined by strongly targeted performance measures, as shown below:

- Providing a named contact (and deputy) at the Fund for all employer communications and queries
- Providing clear instructions and forms/interfaces to allow seamless transfer of information by employers
- Provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having an appropriate quality review process in place

□ In return, the employers within ~~each the~~ Fund are expected to:

- Provide a named contact (and deputy) at the employer for all Fund communications and queries. Where multiple contacts are provided (for different duties) name one person who is ultimately responsible for ensuring the employer carries out their roles and responsibilities.
- Provide information to the Fund as outlined in instructions using the Fund's approved forms and/or interfaces
- Aim to provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having appropriate quality review in place

Full details of the procedures for liaison and communication between the Funds and its stakeholders are included within the Fund's communication strategy.

## Performance Standards

The Funds will ensure that all functions/tasks are carried out to the agreed quality standards. In order to comply with both the Regulatory requirements and the Fund's objectives, the administering authority LGSS aims to achieve a high quality administration service and timeliness of performance. Strong review of its performance measures will determine this.

## Procedures for ensuring compliance with statutory requirements and measuring levels of performance

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Administration Strategy. ~~More detailed methods may be included in a service level agreement (SLA) between an individual scheme employer and the respective administering authority (signed on behalf of the latter by LGSS Pensions).~~

Methods may include:

- Internal/External Audit review of processes and internal controls
- Performance monitoring against ~~LGSS administering authority~~ tasks noted in Appendix C.
- Performance monitoring of the scheme employers against Appendix B ~~and individual employer SLA's.~~
- Compare performance against other Administering Authorities by using CIPFA Pensions Benchmarking club
- The Fund's scheme employer liaison function will offer the following services:
  - o The opportunity for a biennial review meeting between a representative of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations.
  - o Seminars and training sessions, including webinars, on the most pertinent issues affecting Fund members and employers
  - o A scheme employer ~~Pension~~ Forum will be held, at least on an annual basis
  - o A scheme employer Helpdesk is available from 9am to 5pm during normal working days to answer queries by telephone or email.

## Improving Administration

Using the means mentioned above, the Funds will monitor progress against this ~~Administration Strategy~~ strategy. This information is reported to the ~~respective~~ Fund's' Pension Committees and Pension Boards alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators relating to the Funds' and ~~their-its~~ employers' performance will be reported in ~~their~~ respective Annual Report and Accounts.

## Circumstances where the administering authority may levy costs associated with the employing authorities poor performance

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority wishes to recover any such additional costs they must give written notice stating:-

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost;
- The amount of the additional cost incurred;
- The basis on how the additional cost was calculated; and
- The provisions of the pension administration strategy relevant to the decision to give notice.
- In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

### **Circumstances where costs might be recovered**

It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer.

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- Instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.
- Instances where an act or failure to act by an employer results in an unauthorised payment under the Finance Act 2004 which results in the Fund being subject to a tax liability.
- Instances where an act or failure of a scheme employer results in a benefit being incorrectly awarded and the subsequent overpayment is not able to be recovered from the scheme member.

The approach by the Fund when such instances occur is as follows:

1. Write to the employer noting the Fund's areas of concern regarding the employer's performance and offer training or a meeting to address the issue.

Note that some performance standards are expressed as a percentage less than 100%. This recognises that for certain, often high volume, work there may be legitimate reasons why 100% compliance with a target is not possible. For

these categories the target is measured monthly in order to highlight areas of potential concern.

- 2a.** If no improvement is made within one month of the above date, or where the matter in question is not a regular event and no improvement is made at the next occasion that that same matter occurs, **and the offer of training or a meeting has not been accepted**, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

**OR**

- 2b.** If no improvements is made from one month following either a training session or a meeting with the scheme employer, or where the matter in question is not a regular event and no improvement is made at the next occasion that that matter occurs following the training or meeting, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

- 3.** An invoice will then be issued to the scheme employer which sets out calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.

- 4.** All instances of additional costs recharges will be presented to the Pension Fund-Committee and Local Pension Board.

All communications will be directed to our most senior contact within a scheme employer organisation from the beginning of this process. In the case of poor performance by a third party HR/payroll supplier, the relevant scheme employer will be informed of action being taken from the outset of the process.

**Any costs recovered will be paid into the respective Pension Fund to reduce the administration cost to all scheme employers in the Fund.**

#### Illustrative additional administration costs

Based on the Fund's experience of dealing with late or inaccurate information, we have been able make accurate estimates of the amount of additional resource required in order to remedy the problems this causes. The costs below reflect the additional resource required to chase information and correct inaccurate data. They also reflect the fact that having to re-run calculations multiple times as a result of poor data presents an opportunity cost as staff would be otherwise more productively engaged.

Note that any further costs incurred as the result of non-payment of invoiced additional costs will also be passed on to the relevant scheme employer.

As such the fees shown below are illustrative and may be higher (or lower) if individual circumstances are atypical.

Employer Scheme function	Illustrative charge
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Administration process	Description	
<b>Monthly contribution pay over</b>	<p>Late payment of employee, employer and additional pension contributions (APC/ARC/Added years) to the Fund by the 19<sup>th</sup> of the month following deduction</p> <p><u>-No schedule of payments sent and received by the Fund</u></p>	<p>£80 if no interest charge</p> <p>Additional £100 if interest charges need to be calculated</p> <p>Interest payable at prevailing rate if payment more than 30 days late</p> <p>£80</p>
	<del>No schedule of payments sent and received by the Fund</del>	
<b>New active member</b>	Scheme employer has not notified the Fund within 10 working days of the relevant calendar month end	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Leavers (non-retirement)</b>	<p>Scheme employer has not notified the Fund of any leaver.</p> <p>The late or non-provision of a leaver form.</p> <p>Poor data detailed on the form, in particular inaccurate pay details.</p>	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Retirement</b>	<p>Scheme employer has not notified <del>LGSS</del> <u>the administering authority</u> that a member is due to retire within 10 working days before date of leaving.</p> <p>Non-provision of retirement form, poor data detailed on the form – particularly inaccurate pay details.</p>	<p>£160 per notification</p> <p>A further £80 for each month the notification remains outstanding</p> <p>These higher rates reflect the fact the retiree will be chasing <del>LGSS</del> <u>Pensionthe administering authority</u> for their pension</p>

<b><u>Monthly/annual membership</u>Year-End data</b>	<p>Scheme employer has not provided <u>monthly data within 10 working days of the relevant calendar month end and/or quality of data provided is poor and requires manual intervention.</u></p> <p><u>Scheme employer has not provided</u> year end data by the 30<sup>th</sup> April and/or quality of data provided is poor and requires <del>LGSS</del> manual intervention and additional data cleansing.</p>	<p>£400 per data file</p> <p>A further £200 per month the data is outstanding</p>
<b><u>Monthly/Year-End Annual</u> data queries</b>	<p>Scheme employer has not responded to <del>LGSS</del> queries regarding submitted <u>monthly or annual</u><del>year-end</del> data within 10 working days of this request or the response has been unsatisfactory and queries remain outstanding</p>	<p>£100 per omission</p> <p>A further £60 per month of non-response or unsatisfactory replies</p>

### Further information

If you would like more information about the Scheme please contact us at the address below.

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

[pensions@northamptonshire.gov.uk](mailto:pensions@northamptonshire.gov.uk)

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

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

### 3. Appendix A – Whole Fund Administration Performance Standards

The following are key indicators where the target can only be achieved by the Administering Authority and Employing Authorities both delivering high levels of administration.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
<u>Notify employees retiring from active membership of benefits award</u> <u>Payment of retirement benefits from active employment.</u>	<u>Issue award within 5 working days after payable date or date of receiving all necessary information if later.</u> <u>Payment of lump sum within 5 working days of payable date or date of receiving all necessary information if later.</u> <u>First pension paid in the month of leaving or in month of receiving all necessary information if later.</u>	95%



## Appendix B –Employer Performance Standards

The following are the performance targets that the Employer will be expected to meet.

Function/Task	Indicator	Target
Confirm nominated representatives	Representative confirmed within 30 working days of employer joining fund or change to nominated representative	100%
Arrange for the correct deduction of employee and employer contributions and pay over in a timely manner for both monthly and annual returns.	Number of months in the year where contributions were in the Pension Fund by the 19 <sup>th</sup> calendar day of month after deduction	100%
Upon receipt of a notification from an Additional Voluntary Contribution (AVC) provider of an employee's election to pay, vary the amount or cease AVCs (or Shared Cost AVCs where applicable), to apply the notification accordingly and where applicable deduct from a member's pay the contributions as instructed by the AVC provider.	Within 1 month of receipt of notification from the AVC provider	100%
Pay over to the specified AVC provider contributions deducted from a member's pay.	Within 7 days of deduction from pay	100%
Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 30 days of approval	100%

Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%
Function/Task	Indicator	Target
Upon receipt of a notification <del>from LGSS Pensions</del> of an employee's election to pay Additional Regular Contributions, to apply the notification accordingly and where applicable deduct from a member's pay and pay over <del>to LGSS Pensions</del> , the contributions as instructed <del>by LGSS Pensions</del> .	Within 1 month of notification <del>from LGSS Pensions</del>	100%
Respond to enquiries <del>from LGSS Pensions</del> in respect of retirements, estimates or any other query identified as urgent.	Response received within 5 working days from receipt of enquiry.	100%
Respond to enquires <del>from the LGSS Pensions</del> in respect of those queries deemed as non urgent	Response received within 10 working days from receipt of enquiry.	95%
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Determine appropriate rate of employee contributions for new scheme members in the LGPS	Decisions made by time of first salary payment.	100%
Provide <del>LGSS Pensions with</del> all necessary information regarding new starters and hours/weeks per year variations.	Within 10 working days of the relevant calendar month end	95%
Determine reason for leaving and Final pay, issue entitlement award to member and leavers certificate to <del>LGSS Pensions the administering authority</del> for leavers NOT entitled to immediate payment of pension.	Certificate received within 15 working days of date of leaving	95%

Provide monthly and annual membership data in prescribed format.	Information to be provided for all Members within 10 working days after the end of the relevant calendar month for monthly data and by 30 April following year end	100%
Function/Task	Indicator	Target
Determine reason for leaving and Final pay, issue entitlement award and retirement pack to member and leavers certificate to <del>LGSS the administering authority</del> Pensions for retirees entitled to immediate payment of pension.	Certificate received at least 10 working days <u>before</u> date of leaving.	95%
<del>Provide LGSS Pensions with accurate year-end information in prescribed format</del>	<del>Information to be provided for all Members by 30 April following contribution year end</del>	<del>100%</del>
Must have published Employer Discretions, accessible by all employees and copy provided to <del>LGSS Pensionsthe administering authority</del> .	Discretions published and provided to <del>LGSS Pensions</del> <u>administering authority</u> within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

## Appendix C – ~~LGSS Pensions~~Administering Authority Performance Standards

The following are the headline performance targets that ~~LGSS Pensions Service~~the administering authority will be expected to meet.

Function / Task	Indicator	Target
<b>LIAISON AND COMMUNICATION</b> Confirm nominated employer liaison officer <del>s</del>	10 working days of employer joining fund or change to nominated officer	100%
Publish and keep under review the administration strategy.	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	100%
Keep up to date the employer website, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment	100%
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the Pensions Committee	100%
Organise <del>bespoke</del> training sessions for <del>S</del> scheme employers, subject to fair use of training resource	Training date agreed with employer within one month of request	100%
Notify the employer and scheme members of changes to the scheme rules	Within one month of <del>LGSS Pensions</del> being informed of the change	95%
Notify the employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent	90%

Notify the employer of any costs recoverable under this Strategy associated with their poor performance (including any interest that may be due)	Within 20 working days of the event	100%
Function / Task	Indicator	Target
Issue annual benefit statements to active members as at 31 March each year  <u>Statements will be published to members online pension account, unless they have provided a written instruction to opt out of electronic communications.</u>	<u>Statements to be published on the members online pension account</u> By the following <del>30-31 September</del> <u>August</u> (pending timely receipt of satisfactory year end data from the scheme employer)  <u>If the member has opted out of electronic communications, the statement should be posted by 31 August.</u>	100%
Issue annual benefit statements to deferred benefit members as at 31 March each year for those which we have an up to date address	By the following 30 June	100%
<b>FUND ADMINISTRATION</b>		
Issue formal valuation results (including individual employer details) Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund <del>Issue formal valuation results (including individual employer details)</del>	20 working days from receipt of results from Fund Actuary (but in any event no later than 31 March following the valuation date)	100%
<u>Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund Publish, and keep under review, the Administering Authority's governance policy statement</u>	Initiated within 40 days with Fund Actuary plus results issued to employer within 2 months of clean data	100%

<del>Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund</del>		
<del>Publish, and keep under review, the Administering Authority's governance policy statement</del> <del>Publish and keep under review the Pension Fund's funding strategy statement</del> <del>Publish, and keep under review, the Administering Authority's governance policy statement</del>	Within 30 working days of policy being agreed by the Pensions Committee	100%
Function / Task	Indicator	Target
Publish and keep under review the Pension Fund's funding strategy statement Publish the Pension Fund annual report and any report from the auditor <del>Publish and keep under review the Pension Fund's funding strategy statement</del>	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's Actuary. Revised statement to be issued with the final valuation report	100%
<del>Publish the Pension Fund annual report and any report from the auditor Provide an FRS17/IAS19 report to employers for their chosen accounting date</del> <del>Publish the Pension Fund annual report and any report from the auditor</del>	By 31 August following the year end	100%
<del>Provide an FRS17/IAS19 report to employers for their chosen accounting date Provide an FRS17/IAS19 report to employers for their chosen accounting date</del>	Within one month of the accounting date providing employer has agreed to costs and returned required data to LGSS Pensions by 1 <sup>st</sup> of the month in which the accounting date falls	100%
<b>SCHEME ADMINISTRATION</b> Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%

Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)	90%
Notify the employer of scheme member's election to pay or cease paying additional regular contributions and other contracts, including all required information to enable deductions to commence or finish.	Email sent within 5 working days of receipt of election from scheme member	95%
Function / Task	Indicator	Target
Calculate cost of additional regular contributions, and notify scheme member	Letter sent within 10 working days of receipt of request from scheme member	90%
Provide requested estimates of benefits to employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information	90%
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 a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information	90%
Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information	90%
Notify leavers of deferred benefit entitlements or concurrent amalgamation.	<del>Notification issued</del> <u>Issue award or confirm amalgamation</u> within <del>15</del> <u>10</u> working days of receiving all necessary information.	90%

Notify employees retiring from active membership of benefits award.	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%
Payment of ongoing pension (not including the first pension payment).	Eligible payments made on the publicised payment date.	100%
Acknowledge death of active/deferred/pensioner member.	Letter issued within 5 working days following notification of death	100%
Award dependent benefits.	Issue award within 5 working days of receiving all necessary information.	95%
Function / Task	Indicator	Target
Provide responses to other enquiries from scheme members, scheme employers, personal representatives, dependents and other authorised persons	Full response within 5 working days from receipt of all information needed to respond to enquiry	90%
Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale.	Acknowledgement within 5 working days from receipt of initial enquiry	100%
Appoint stage 2 “appointed person” for the purposes of the pension dispute process and notify all scheme employers of the appointment	Within 30 working days following the resignation of the current “appointed person”	100%
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	100%
Publish and keep under review the Pension Fund policy on the abatement of pension on reemployment	Notify scheme members and scheme employers within one month of any changes or revisions to the policy	100%





