

PENSION FUND COMMITTEE



Thursday, 18 June 2020

Democratic and Members' Services

Fiona McMillan

Monitoring Officer

10:00

Shire Hall

Castle Hill

Cambridge

CB3 0AP

COVID-19

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

AGENDA

Open to Public and Press

1. Notification of Chairman and appointment of Vice-Chairman

Please note that once elected the Chairman and Vice Chairman will automatically become the Chairman and Vice Chairman of the Investment Sub-Committee

2. Apologies for absence and declarations of interest

Guidance on declaring interests is available at

<http://tinyurl.com/ccc-conduct-code>

3. Appointment of Investment Sub-Committee

- Chairman and Vice Chairman (as above)
- Two other County Councillors
- Employer representative
- Representative of all other Employers
- One scheme member representative drawn from the active and the deferred and pensioner scheme members

4. Public Questions

5(a)	Public minutes of the Pension Fund Committee meeting held 14th January 2020	5 - 14
5(b)	Action Log	15 - 18
6.	Cambridgeshire Pension Fund Audit Plan - year ended 31 March 2020	19 - 60
7.	Internal Audit Report 2019-2020	61 - 74
8.	Pension Fund Annual Business Plan and Medium-Term Strategy 2019-20 to 2021-22	75 - 110
9.	Governance and administration risk management in light of the Coronavirus pandemic	111 - 128
10.	Update to Funding Strategy Statement	129 - 132
11.	Employer Admissions and Cessations Report	133 - 140
12.	Exclusion of Press and Public	
	<i>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)</i>	
13.	Investment Update	
	Report to be circulated separately	

The Pension Fund Committee comprises the following members:

Councillor Terence Rogers (Chairman)

Mr Lee Phanco Mr Matthew Pink Councillor Richard Robertson Councillor David Seaton and Mr John Walker Councillor Peter Downes Councillor Ian Gardener Councillor Anne Hay and Councillor Mike Shellens

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

Clerk Name: Dawn Cave

Clerk Telephone: 01223 699178

Clerk Email: dawn.cave@cambridgeshire.gov.uk

MINUTES OF THE PENSION FUND COMMITTEE

Date: Thursday 14th January 2020

Time: 10.00am – 11.35am

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: County Councillors P Downes, I Gardener, A Hay, T Rogers (Chairman) and M Shellens; Cambridge City Councillor R Robertson; Liz Brennan (substituting for John Walker)

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

Observers: John Stokes

Apologies: Councillor Seaton, John Walker and Matthew Pink

173. DECLARATIONS OF INTEREST

Councillor R Robertson declared a personal interest as his wife was a retired member of the LGPS.

Liz Brennan declared a personal interest as an active scheme member.

174. MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD ON 10th OCTOBER 2019 AND ACTION LOG

The minutes of the Pension Fund Committee meeting held on 10th October 2019 were approved as a correct record and were signed by the Chairman.

The following items were discussed:

Item 122 – Automating monthly data collection - officers advised that due to staff turnover, this project had not yet been completed. Information had been available before Christmas but there were concerns that it was not completely accurate, so it had since been revised and the report would be circulated to Members.

Item 138 – KPIs – this report had been deferred until the March meeting.

The Committee noted the Minute Action Log.

175. VALUATION OF THE FUND

Officers updated Members on progress since the agenda had been published. There had been negotiations with employers, including a forum meeting in December where the process and contribution rates had been explained. A number of meetings had been arranged with the smaller charities, showing them the rates they would need to pay. Officers explained how a more relaxed approach was being taken with Employers who provided security e.g. charges on assets, but a more prudent approach, effectively

stripping out the investment return in valuations, had to be taken with those employers who did not provide security. A number of Employers had proactively been looking to provide security, which was very positive.

There had been some really positive feedback from both the Employers and the Actuary regarding the Employer Forum, and the Actuary had commented that it was one of the best and most constructive events of its kind he had attended, which was great credit to the team.

The Funding Strategy Statement (FSS) Consultation finished on Friday 17th January, and no responses had been received to date, but there was general acceptance of the principles of the FSS. The main changes to the FSS since it had been considered by Committee were:

- A reduced time horizon for getting to full funding for Further Education colleges, as the government was no longer acting as a guarantor for their liabilities;
- A more prudent approach has been taken in relation to admission bodies with no guarantor (mainly small charities), increasing the Funding target so it is based on the employers exit basis but reducing the required probability of success threshold to 50% (previously 80%) to cushion some of the extra prudence;
- Conversely a more relaxed approach had been taken on Contractors, moving down to a 55% probability of success threshold to avoid a build-up of a surplus in their funding position;

In response to Member questions:

- officers explained that the contribution rates were always reviewed in the Valuation period, to ensure that a deficit would not be opened up in future. The contribution rate for *employees* was set nationally through LGPS. That mechanism was set in 2014, and was regularly adjusted for CPI. There was a cost cap in the new LGPS mechanism, which was on hold following the McCloud case. Cost control was put in place to protect employers: employers could determine how they apply employee rates, i.e. they have some discretion on when grades are changed (e.g. monthly or annually).
- security was sought from employers in those cases where the contribution rates were becoming unaffordable. Two employers were already discussing with officers security in the form of a charge on assets, and another employer was looking at setting up a surety bond. It was confirmed that the baseline approach to contributions was on a prudent, exit basis, but a more relaxed approach could be taken if there was security;
- regarding how reflective the contribution rates being negotiated were of historic rates, officers confirmed that they were slightly higher due to the McCloud risk: the LGA had advised that liabilities should be valued on the current structure, but with a cushion built in for McCloud. At the higher end of the scale e.g. greater than 80% funded, that prudence was already there, but needed to be included on less funded employers who were at the lower end of the scale;

- the Committee noted that the FSS would be presented for Members' consideration at their March meeting, and the Actuary would be present for that meeting.

It was noted that the overall funding percentage of the Fund was 100%, but that each individual employer was different in terms of their funding level, i.e. some were quite underfunded, whilst some were significantly overfunded (>120%). Any employers exiting the Fund with a surplus would receive a refund. In cases where the indemnity was provided by the County Council, there was an argument that the County Council should receive the surplus, and there was currently a legal case relating to the Northamptonshire Fund on that basis, and a similar case in Cambridgeshire, which was on hold pending the outcome of the Northamptonshire case.

It was resolved unanimously to:

- 1) Note the Valuation update

176. ANTI-FRAUD AND CORRUPTION POLICY REVIEW

The Committee received a report on the Cambridgeshire Pension Fund Anti-Fraud and Corruption Policy. Members were reminded that the Policy had been approved by the Committee in 2017, and was being reviewed to reflect changes since that time, such as annual proof of existence for overseas members.

The Chairman thanked Mr Stokes, Chair of the Pension Fund Board, as that body had spent considerable time helping review this Policy.

A Member noted that the deterrent value of the Policy was alluded to in the "Purpose" section of the report, and suggested that this should be emphasised in the Policy. **Action required.**

A Member asked about verifying bank account details of pensioners, especially those about to be paid a lump sum. Officers outlined the checks made, including safeguards such as ensuring paperwork provided was checked against signatures on file. Officers acknowledged that there were risks of fraud from both external and internal sources, but advised that there were limitations on what could be done from both a GDPR perspective (e.g. asking for sight of a bank statement), and also in terms of resource constraints. It was agreed that officers would bring back a short statement to update the Committee, including the number of frauds in this area (if any) they were aware of in recent years. **Action required.**

It was resolved unanimously:

- 1) To approve the Anti-Fraud and Corruption Policy.

177. DIGITAL COMMUNICATIONS STRATEGY

The Committee received a report on the Fund's Digital Communications Strategy. Members were reminded that the Fund's Communication Plan had been approved by the Committee in 2019, at which point it had been agreed that the Digital Communication Strategy would be produced. The Strategy outlined how the Fund planned to use

technology to find more engaging methods of communicating with employers and members digitally, which would have the benefit of reducing printing and postage costs, reducing opportunities for fraud and increasing engagement with the pension scheme by scheme members. Any scheme member could opt out of electronic communications, at any time, by informing the Pensions team in writing.

Arising from the report:

- A Member expressed concern about the opportunities for fraud if a member's computer was hacked. It was stressed that communications and information would not be sent by email, but through the portal i.e. a website that the member had to actively log in to. Documents such as pension statements were stored on the portal, it was not necessary to keep paper copies. Officers outlined the measures that were taken to secure the portal. It was noted that some hackers monitored what was on a device's screen, but ultimately members were responsible for those aspects of security.
- A Member asked if any training was available for recently retired members on using the portal. Officers advised that due to the large number of scheme members, and limited resources, it was difficult to target training sessions to members. However, support was always available from the Pensions team through telephone or online. The focus of the Digital Communication Strategy was on active members, and there had been a number of demonstrations of the portal in Council offices. In addition, there was a user guide, featuring screenshots, which showed users how to use the portal. The potential for a webinar was also raised. Ms Brennan advised that Cambridge City Council had digital champions, and it may be worth contacting them to see if they could help support this process;
- In terms of monitoring engagement, a Member asked how the Pensions team could establish if a member never signed in to the portal? Officers advised that an exercise would be carried out later in the year to encourage use of portal, and some employers had asked for help with this. It was reiterated that members always had the option of opting out of electronic communications. It was also pointed out that even when paper pension statements were sent out, there was evidence that these were sometimes discarded or unread. The Member suggested that if there was no engagement at all, it could suggest that the Member was no longer alive;
- It was confirmed that mortality screening in the UK was undertaken by a contractor. However, overseas monitoring was more complex and difficult, as there were many different methods for recording deaths.

It was agreed that future reports would include an estimate of how many members had accessed the portal.

The Chairman thanked both officers and the Pension Fund Board for all their work on this issue.

It was resolved unanimously:

- 1) To approve the draft digital communications strategy.

178. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2019/20

The Committee considered an update on the Pension Fund Business Plan for the period from 1st September to 31st October 2019.

Members noted the following points:

- with regard to the procurement of specialist legal advice, this action had been delayed slightly, as responses to queries were still awaited. However, the start date of the new contract (1st February 2020) was not expected to change;
- for the implementation of the Monthly data collection, this would need to be rescheduled as all actions would not be completed by 31st March 2020;
- the delay in the Monthly data collection project would impact on the Processing of undecided leavers project, one of the largest projects in the Business Plan. Steady progress was being made with the backlog, with the assistance of the contractor, Aon, and the current tranche would be broadly complete by March. It was noted that the “business as usual” numbers were getting higher than officers were comfortable with, with around 4,500 in excess of the usual numbers of undecided leavers. Many of these related to cases where the employer had not advised the Pensions team that an employee had left. More radical changes of process had already been introduced, especially where the employer had moved to monthly processing: once a year’s worth of data was available for an employer, there was no need for a formal paper notification (Leaver’s Certificate) to be sent;
- due to the delay with Undecided Leavers project, Aon needed to be paid extra fees: the original contract had not been fixed price as there were too many variables. The additional fees were around £100K, and Aon had absorbed a lot of the costs themselves;
- the implementation of online payment platform for employers’ contribution payments was listed in the report as ‘Red’, but since the report had been published, this had been completed. The main delay had related to payment by card functionality, but given that the vast majority of employers paid by BACS, this was not an issue;
- in response to a Member question, it was confirmed that there were measures in place for those employers who failed to send through Leavers’ Certificates in a timely manner. A communication had been sent to all employers, and those in breach had been targeted individually, and advised that fines would be incurred in future. The expectations in terms of timeliness of information would be made clear to any employers who were not moving on to monthly processing. The Committee had previously approved, as part of the Administration strategy, the policy on how non performing employers could be dealt with.

It was resolved unanimously:

- 1) To note the Pension Fund Business Plan update for the period ending 31st October 2019 of the 2019-20 financial year.

179. ADMINISTRATION PERFORMANCE REPORT

The Committee considered a report which set out a number of key areas of administration performance during the period 1st September to 31st October 2019.

There had been no material or non-materials breaches during the period.

With regard to Data Improvement, the independent data audit had recently been concluded for 2019, and there was little change in the scores. There had been an increase in unprocessed leavers as a direct consequence of over 1500 suspected leavers being identified through year end processing, as well as automation issues around the switch-over to monthly data submission. All of those unprocessed leavers had been counted as data fails.

The reconciliation of contracted-out liabilities had been going on for some considerable time, and it had been hoped that it would be concluded by March 2020. However, a recent HMRC bulletin had confirmed that there would be a delay in issuing the final data file that would allow the rectification of errors to begin. HMRC were due to issue a bulletin update the following week and were arranging sessions to talk to Pension Funds. There was no indication from HMRC on when this was likely to be completed, but it may become clearer following the next bulletin. Members' pensions could not be rectified without this information from HMRC being finalised, and it was unlikely that the costs to the Fund as a result of HMRC's delay could be recovered. It was confirmed that the Pensions team had to purchase specialist software to undertake the rectification, and it was likely that a software licence for a further year would be required due to the HMRC delay. It was estimated that around 400 pensions had either been over or underpaid.

It was noted that the verification process for members with a new address should conclude in March 2020.

Members noted the positive results for the CIPFA Benchmarking exercise, which was a very useful analysis of unit costs. Regrettably, the numbers of LGPS pension funds participating had fallen, with only 29 out of a potential 87 taking part. The results indicated that the net administration costs were slightly lower than average (£14.09 compared to £21.34). It was noted how this figure was composed. It was anticipated that the net administration costs for Cambridgeshire would increase in 2020 as there were more projects taking place. It was confirmed that the resources required to participate in the Benchmarking exercise were minimal, with much of the data already available. However, if the number of participants fell further, it would be necessary to review whether continued involvement was useful.

With regard to Appendix 1 to the report (variances to forecast administration expenses), it was noted that most variances related to Management Expenses. Officers outlined how

these figures could be skewed by issues in one quarter, and how they would like to control variances better.

It was noted that the payment of retirement benefits from active employment (Appendix 2) had not met its target, but a Member commented that this was an external factor beyond the Pension team's control. Whilst agreeing to some extent, officers responded that they would ideally have sufficient resource in place to deal with such variations in workload. The Chairman commented that variations were acceptable as long as they were not ongoing.

A Member observed that the increase in net assets available for benefits had increased by more than pensions paid, which was highly commendable, and would benefit the Fund when it became cash negative. He expressed concern that investment income only totalled around 1.5%. Officers commented that the Committee would be aware from the Investment Strategy, and the Strategic Asset Allocation in particular, that some asset classes were not held to generate a lot of investment income, and were held for other reasons. It was also likely that not all investment income was reflected in these figures. Officers agreed to respond to Councillor Shellens directly on this issue. **Action required.**

With regard to the contracted out liabilities rectification, it was noted that even if HMRC provided the Pensions team with the information in February, the team could not realistically complete this project until the end of the second quarter, due to the busy March-May period.

It was resolved unanimously:

To note the Administration Performance Report.

180. 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.

Officers had recently emailed Committee Members, requesting feedback on the Good Governance Review report recommendations. Attention was drawn to the most notable recommendations, listed in the report. Whilst officers were happy with most of these, they had issues with F1 and F2, which related to compliance and improvement, specifically a biennial Independent Governance Review (IGR). It was suggested that strong guidance would be required as to exactly what 'independence' entailed.

The Scheme Advisory Board had issued a consultation on Responsible Investment guidance in early December 2019, with a deadline for responses extended to the end of January. A number of Funds had flagged up issues, specifically around Fiduciary Responsibility in terms of Committees' decision making powers. The Fund's final response to the consultation, would be shared with the Chairman and Vice-Chairman for approval. Officers agreed to send details of the consultation to Liz Brennan. **Action required.**

With regard to the Good Governance Review, specifically the MHCLG's production of statutory guidance establishing new governance requirements for funds, a Member asked what input Funds would have in to this statutory guidance. Officers expected there would be a consultation, and it was noted that the ACCESS funds were looking to meet with Hymans collectively to talk to them about the next stages.

Members' attention was drawn to the list of training events. It was noted that many events quickly became fully booked, so Members were encouraged to express an interest as soon as possible.

It was resolved unanimously:

To note the content of the report.

181. EMPLOYERS ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of six admission bodies and one scheduled body, and the cessation of four bodies.

It was noted that all the admission bodies related to catering and cleaning functions previously coming under the remit of the Council service CCS. There had been some difficulties getting them to sign on in time, but the regulations did allow backdating. The Scheduled Body being admitted was an Academy, which could not be refused.

Observing that seven bodies had been admitted and four had left, a Member commented that this reflected the continuing trend of increasing numbers of employers, which meant more administration and costs for the Pension Fund.

It was noted the some of the schools listed in the report as primaries should be listed as special schools.

It was resolved unanimously to note:

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

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

2. the admission of the following scheduled bodies to the Cambridgeshire Pension Fund:

- Our Lady of Walsingham MAT

3. the cessation of the following admission agreements with the Cambridgeshire Pension Fund:

- Aspens (The Weatherall's Primary School)
- Edwards and Blake (New Road Primary School)

- Pabulum (Downham Feoffees Primary)
- YMCA Trinity Group

182. EXCLUSION OF PRESS AND PUBLIC

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

183. ASSET POOLING

Members considered a report on ACCESS Asset Pooling.

It was resolved unanimously to:

Note the asset pooling update.

Chairman

Action log from previous meetings

This log captures the actions from the Pension Fund Committee of the 14th January 2020 together with any carried forward items from previous meetings and updates members on the progress on compliance in delivering the necessary actions. This is the updated action log as at 8th June 2020.

Outstanding actions from 13th June 2019 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
138.	Administration and Performance Report	Michelle Oakensen	With regards to Key Performance Indicators (KPIs) it has been requested that a report is brought to Quarter 3 which would include the customer's full journey, as currently the KPIs do not cover this.	Ongoing - Customer experience performance indicators for retirements, retirement estimates, transfers in and transfers out have been developed. Further information will be presented to the Pension Committee in the Administration Performance Report at the July meeting.

Outstanding actions from 10th October 2019 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
167.	Data Improvement Plan Progress Report	Joanne Walton	In relation to the address tracing exercise, there was a discussion around carrying out an activity, similar to that which had been carried out with Overseas Pensioners, where a lack of response resulted in pensions being suspended. It was suggested that this may be stretching the Anti-Fraud and Corruption Policy, but officers were asked to consider how a sample exercise could be carried out. Officers agreed that they would review what could be undertaken within available resources.	Completed – A proof of existence exercise for UK residing pensioners has been considered by Officers. In June 2019 membership data was screened for any deaths that had occurred but the scheme not notified. This activity plus the robustness of the tell us once service and the national fraud initiative and ongoing monthly mortality

				screening has been considered sufficient to ensure that all pensions in payment are only being paid to be people that are alive.
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Outstanding actions from 14th January 2020 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
176.	Anti-Fraud and Corruption Policy Review	Michelle Oakensen	A Member noted that the deterrent value of the Policy was alluded to in the “Purpose” section of the report, and suggested that this should be emphasised in the Policy.	Completed.
176.	Anti-Fraud and Corruption Policy Review	Michelle Oakensen	<p>A Member asked about verifying bank account details of pensioners, especially those about to be paid a lump sum. Officers outlined the checks made, including safeguards such as ensuring paperwork provided was checked against signatures on file. Officers acknowledged that there were risks of fraud from both external and internal sources, but advised that there were limitations on what could be done from both a GDPR perspective (e.g. asking for sight of a bank statement), and also in terms of resource constraints.</p> <p>It was agreed that officers would bring back a short statement to update the Committee, including the number of frauds in this area (if any) they were aware of in recent years.</p>	Completed – Officers advised verbally at the meeting that it was believed that banks perform checks on payments to ensure that the bank and sort-code matched the name on the account before a payment was credited to that account. The number of identified “frauds” recorded in recent years is zero.
177.	Digital Communications Strategy	Cory Blose	In terms of monitoring engagement, it was agreed that future reports would include an estimate of how many members had accessed the portal.	Completed – This will commence from July 2020 and will be reported in the Administration Performance Report.
179.	Administration Performance Report	Joanne Walton	A Member observed that the increase in net assets available for benefits had increased by more than pensions paid, which was highly commendable, and would benefit the Fund when it became cash negative. He expressed concern that investment income only totalled around 1.5%. Officers	Completed – Officers responded directly to member.

			commented that the Committee would be aware from the Investment Strategy, and the Strategic Asset Allocation in particular, that some asset classes were not held to generate a lot of investment income, and were held for other reasons. It was also likely that not all investment income was reflected in these figures.	
180.	Governance and Compliance Report	Joanne Walton	The Scheme Advisory Board had issued a consultation on Responsible Investment guidance in early December 2019, with a deadline for responses extended to the end of January. A number of Funds had flagged up issues, specifically around Fiduciary Responsibility in terms of Committees' decision making powers. The Fund's final response to the consultation, would be shared with the Chairman and Vice-Chairman for approval.	Completed – Email sent 15/1/2020.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

18th June 2020

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Audit Plan - year ended 31 March 2020
Purpose of the Report:	To present Ernst & Young's audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31 March 2020
Recommendations:	That the Pension Fund Committee: 1. Note the presentation of the audit plan by Ernst & Young, the Fund's Independent External Auditors
Enquiries to:	Name – Ben Barlow Tel – 07896 890375 E-mail – bbarlow@northamptonshire.gov.uk

1. Background

- 1.1 Ernst & Young (EY) continue as the Cambridgeshire Pension Fund's Independent External Auditors to provide an audit opinion on:
- 1.1.1 whether the financial statements of the Fund give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2020 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2020; and
 - 1.1.2 the consistency of the financial statements within the Fund annual report with the published financial statements of Cambridgeshire County Council.
- 1.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit and the planned delivery of the audit process. An Associate Partner from Ernst & Young, Mark Hodges, will attend this meeting to present the audit plan.

2. Report Content

- 2.1 Pages 5 and 6 of the accompanying report identifies the key risks and areas of auditor focus. Pages 10 and 11 of the report details the Auditor's planned approach to the most significant risk areas – investment income and asset valuations, and unusual investments.
- 2.2 Page 16 of the accompanying report sets out the planned materiality levels for the audit.
- 2.3 Page 25 of the accompanying report sets out the proposed timeline for delivery of the audit, with the Audit Results Report due in July 2020.

3. 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.
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. Risk Management

- 4.1 This item is for the information of the Committee and therefore does not give rise to identifiable risk. The audit process however, is required by regulation and it is therefore important that Committee members are informed of the planned process and receive appropriate updates.
- 4.2 The risks associated with the audit process, which EY's audit plan informs, have been captured in the Fund's risk register as detailed below

Risk No	Risk	Residual risk rating
8.	Those charged with governance are unable to fulfil their responsibilities effectively.	Green
9.	Risk of fraud and error.	Green
13.	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	Green
18.	Pension Fund investments may not be accurately valued.	Green
25.	Incorrect production of accounts, notices, publications and management reports leading to possible financial and reputational damage.	Green

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

5. Communication Implications

5.1. None.

6. Legal Implications

6.1 None.

7. Consultation with Key Advisers

7.1. The Audit Plan has been produced by the Fund's external auditors, EY.

8. Alternative Options Considered

8.1. None applicable.

9. Background papers

9.1. None.

10. Appendices

10.1. **Appendix 1** – Cambridge Pension Fund Audit Plan Year ended 31 March 2020, dated 4 May 2020. Author: Ernst & Young (EY)

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 Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 18 th May 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020

The background image shows a group of people sitting around a white table, looking at and pointing to various documents. A person in a yellow shirt is visible at the top, and another person's hand is pointing at a document in the center. A smartphone is lying on the table near the bottom left. The overall scene suggests a collaborative work environment.

Cambridgeshire Pension Fund

Provisional Audit Plan

Year ended 31 March 2020



Audit and Accounts Committee / Pensions Committee Members,
Shire Hall,
Castle Hill,
Cambridge, CB3 0AP.

4 May 2020

Dear Audit and Accounts Committee / Pension Committee Members,

2019/20 External Audit plan - Cambridgeshire Pension Fund

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as your external auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit Committee, the Pension Fund Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the next available Audit & Accounts Committee as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

MARK HODGSON

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee and management of the Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of the Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of the Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk/focus	Details
Misstatements due to fraud or error	Fraud risk	No Change	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified Investment Income and Asset Valuation journals as the key areas at risk of manipulation as set out below.</p>
Investment Income and Asset Valuations - Investment Journals	Fraud risk	No Change	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely are is to affect investment income and assets in the year, specifically through journal postings.
Unusual Investments - Cambridge and Counties Bank (CCB)	Significant Risk	No Change	<p>From a review of the 2018/19 financial statements, the Pension Fund has a £81.1 million investment in CCB Bank. The Pension Fund's investment in CCB is a hard to value Level 3 investment, as there is a lack of observable inputs and prices are not publicly available, and thus requires a specialist valuation model.</p> <p>The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.</p> <p>We consider this an non-routine investment for a pension fund, which requires specialist valuation. On this basis, we have deemed it a significant risk.</p>

Overview of our 2019/20 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change in risk/focus	Details
Valuation of complex investments (Unquoted investments excluding CCB)	Inherent Risk	Not Change	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity, property investments and Cambridgeshire Building Society.</p> <p>Key judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p>
Pension Liability assumptions and IAS 26 Disclosures (IAS26)	Inherent Risk	No Change	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a data set provided by the Pension Fund to inform the Actuary's triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p>

Overview of our 2019/20 audit strategy

Materiality

Planning
materiality

£31.93m

Materiality has been set at £31.925 million, which represents 1% of the prior year's net assets of the scheme available to fund pension benefits.

Performance
materiality

£23.95

Performance materiality has been set at £23.946 million, which represents 75% of materiality. This is the top end of our range based on a lower level of errors identified in previous periods.

Audit
differences

£1.59m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £1.596 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2020 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2020; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund. Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension assets and obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion.

We are currently in the process of discussing the extent of these areas and the audit risks highlighted in this Audit Plan as relevant in the context of Cambridgeshire Pension Fund's audit, and the resultant impact on the scale fee. We set out the published Scale Fee in Appendix A, together with our view on the uplift required to be able to deliver an ISA compliant audit.



02

Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks as denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Investment income and asset valuations - Investment Journals*

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- ▶ Investment Income and Asset Valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings.

What will we do?

Our approach will focus on:

- ▶ Test journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

Our response to significant risks (continued)

Unusual Investments - Cambridge and Counties Bank (CCB)

What is the risk?

The Pension Fund's investment in CCB is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publically available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). In the prior year the CCB investment represented the largest single private equity investment by the fund. GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

Because this investment is not publicly listed and as such there is a degree of judgement in their valuation.

From a review of the 2018/19 financial statements, the Fund had an £81.1 million investment in CCB.

The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.

What will we do?

Our approach will focus on:

- ▶ Engaging with EY Transaction Valuation team who will undertake a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ We will ensure that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ The audit team will test the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert - GT.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Valuation of Complex Investments (Unquoted Investments)

In order to address this risk we will carry out a range of procedures including:

The Fund's investments include unquoted pooled investment vehicles such as private equity, Cambridgeshire Building Society and property investments.

- ▶ Assessing the competence of management experts;
- ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- ▶ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and
- ▶ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The proportion of the fund comprising of these investment types in 2018/19 is at circa 18%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.

Other areas of audit focus (Continued)

What is the risk/area of focus?

Pension Liability Assumptions

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on data submitted by the Pension Fund to the Actuary to inform their triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk that the information provided in relation to membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.

IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £4,829 million as at 31 March 2019.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate;
- ▶ Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and observable data; and
- ▶ Agree the disclosure to the information provided by the actuary.

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts, Hymans Robertson;
- ▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and
- ▶ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Pension Fund will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Pension Fund is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

What will we do?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Pension Fund are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £31.93 million. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £23.95 million which represents 75% of planning materiality. As this is our first year auditing the pension fund we are required to set performance materiality at this lower level compared to previous years.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.



04

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Accounts Committee.

Internal audit:

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.



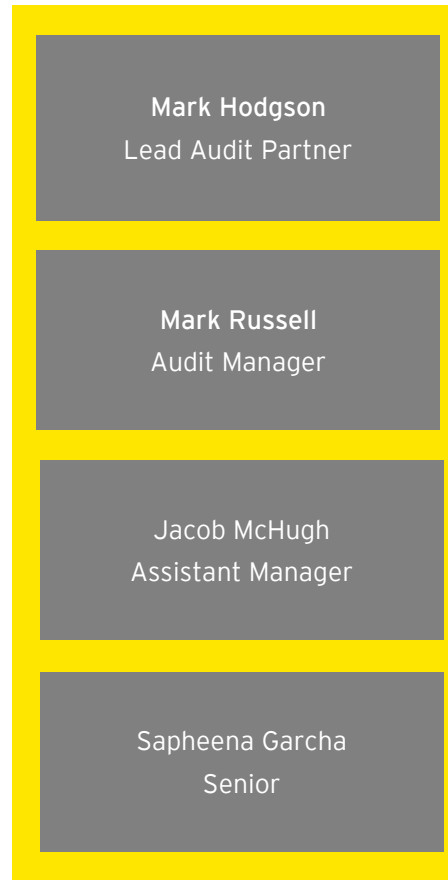
05

Audit team



Audit team

Audit team structure:



The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their Pension Fund audits. Mark Hodgson is supported by Mark Russell and Jacob McHugh who are responsible for the day-to-day direction of audit work and are the key points of contact for the Pension Fund finance team. Mark Russell replaces Sappho Powell, who is currently on maternity leave. Both Mark and Jacob McHugh are involved with the Cambridgeshire County Council audit.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	Hymans Robertson (Cambridgeshire Pension Fund actuary) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team
Investment Valuation	The Pension Fund's custodian and fund managers EY Pensions Advisory Team EY Real Estate Valuation Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



Scope of our audit

Audit deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. Whilst this has been relaxed for 2019/20 in light of Covid-19, the Pension Fund is still working to the original timelines in respect of the draft financial statements and audit timing.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ Risks to the Pension Fund include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Pension Fund staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Pension Fund we will:

- ▶ Work with the Pension Fund and officers to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Pension Fund's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate a closedown workshop with Statutory Finance Officers to agree an approach to enable us all to achieve a successful closure of accounts for the 2019/20 financial year.
- ▶ Work with the Pension Fund to implement/ embed/ improve the use of EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.



06

Audit timeline





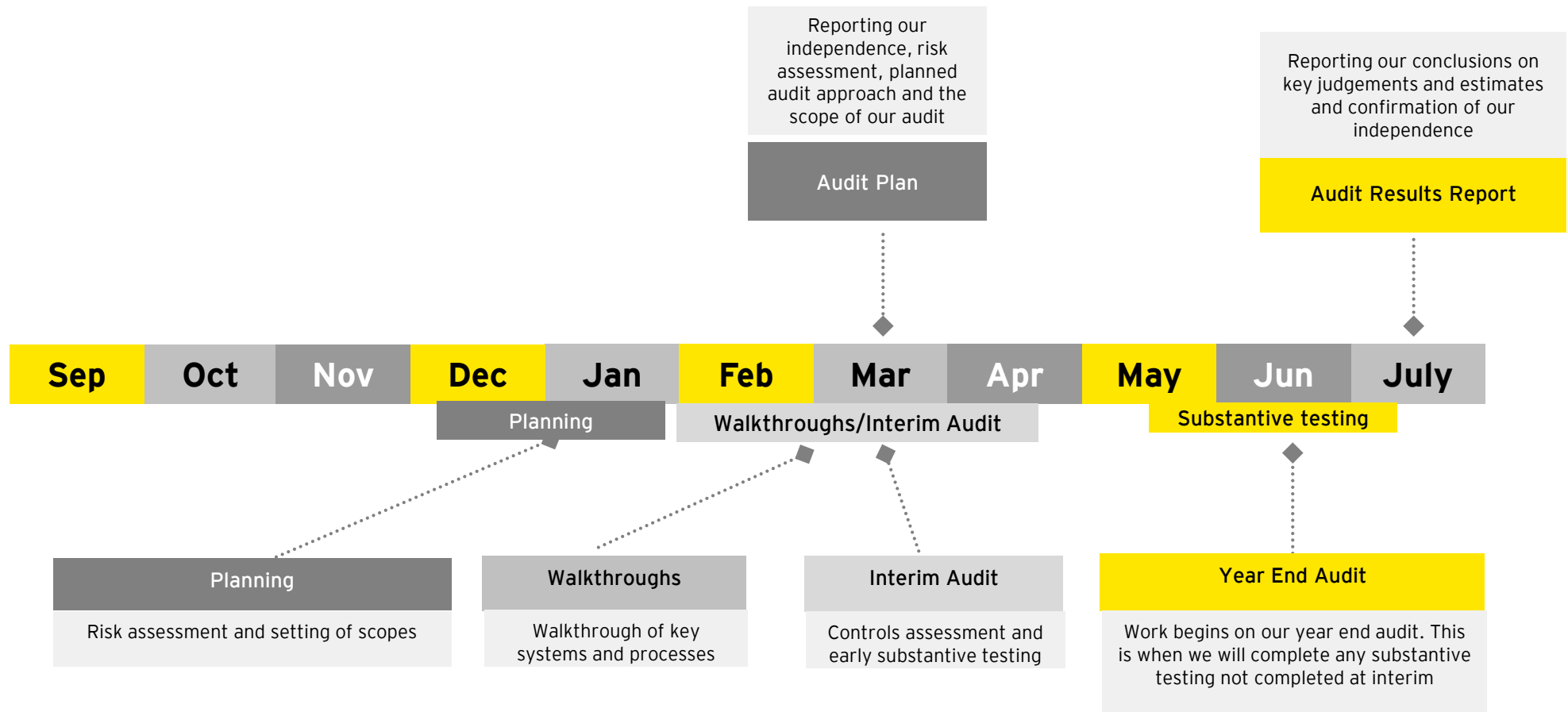
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



08

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s
Total Fee - Code work	(Note 2)	17,256	25,314 (Note 1)
Total fees	22,756	17,256	22,756

All fees exclude VAT

Note 1 - We charged an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This is subject to formal approval by PSAA Ltd under their scale fee variation approval process.

Due to the significant risk raised in relation to the valuation of Cambridge & County Bank and Cambridge Building Society we charged an additional fee of £2,558 for the required audit procedures in 2018/19.

Note 2 - For 2019/20, the scale fee will be impacted by a range of factors which will result in additional work. The issues we have identified at the planning stage which will impact on the fee, as reported earlier include:

- The impact of the triennial valuation on contribution rates and associated testing;
- The audit procedures required in respect of the valuation of Cambridge & County Bank; and
- IAS19 assurances to the auditors of Admitted body financial statements.

We will continue to discuss the impact of these factors with management and the impact on the final fee.

We are currently in discussion with management to agree the fair fee required to perform an ISA compliant audit for the Pension Fund. This will result in a significant increase in the scale fee set by PSAA Ltd. This discussion will take into account the recurring audit risks around:

- The audit procedures required in respect of the valuation of Cambridge & County Bank; and
- IAS19 assurances to the auditors of Admitted body financial statements.

We will then specify the additional cost in respect of the risk specific to the 2019/20 financial statements only - the impact of the triennial valuation.

We will provide an update to this Committee once those discussions have concluded.

The agreed fee presented is based on the following assumptions:




- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Appendix B




Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - April 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2020

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2020
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2020
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2020





Appendix B

Required communications with the Audit and Accounts Committee (continued)

Our Reporting to you		
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - April 2020</p> <p>Audit Results Report - July 2020</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee Committee may be aware of 	Audit Results Report - July 2020
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2020

Appendix B

Required communications with the Audit and Accounts Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2020
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - April 2020 Audit Results Report - July 2020

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 18th June 2020

Report by: LGSS Chief Internal Auditor

Subject:	Internal Audit Report 2019-20
Purpose of the Report:	To present the findings of Internal Audit work during 2019-20.
Recommendations:	The Committee are asked to note the Internal Audit work during 2019-20.
Enquiries to:	Stephen Mangan, Audit and Risk Manager, LGSS Internal Audit Tel: 01604 365921 Email: SMangan@northamptonshire.gov.uk

1. Background

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

2. Report Content

- 2.1 During 2019-20, Internal Audit work focused on the annual audit of the administration of the Cambridgeshire Pension Fund.
- 2.2 The audit assessed the adequacy of design and implementation of controls for the administration of the pension fund. Based on the completion of our fieldwork and the testing carried out, we gave **substantial** assurance the control environment in place and for **good** assurance for compliance. The full report is included as **Appendix A**.

3. Relevant Fund Objectives

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

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

4. Risk Management

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

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

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

5. Finance & Resources Implications

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

6. Communication Implications

Direct Communications	The work of auditors is transparent and reported to the Pension Committee.
Website	The report will also be published on internet.

7. Legal Implications

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

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable

10. Background Papers

- 10.1 Not applicable

11. Appendices

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

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 14 th February 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020

Internal Audit Final Report

Administration of the Cambridgeshire Pension Fund

Governance Opinion

Adequacy of System	Substantial
Compliance	Good
Organisational Impact of findings	Minor

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

Executive Summary

1. Background

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

2. Scope of Audit and Approach

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

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

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

2.2. Approach

The audit process involved:

- Undertaking interviews with relevant officers, to ascertain the procedures in place.
- Evaluating whether the procedures in place provided for an adequate and effective level of control.
- Testing, where appropriate, that the controls identified were operating in practice.

- Reviewing procedures for efficiency and, where appropriate, identify opportunities to make improvements to processes.

2.3. Acknowledgements

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

3. Internal Audit Opinion and Main Conclusions

3.1. The assurance given to the system design is **Substantial**. The assurance level reflects our view that effective and embedded procedures are in place to support pensions and that the audit identified no control weaknesses in how key activity as defined in section 2.1 of the report was being administered.

3.2. The assurance given for compliance is **Good**. Overall, the review found high levels of compliance with agreed procedures although the review did identify a small number of issues, including that unreconciled items on control accounts are not being cleared on a timely basis.

3.3. The organisational impact of the findings is **Minor**. This reflects the fact that whilst a small number of improvements have been identified, these are considered to have a limited impact on the Cambridgeshire Pension Fund.

3.4. Main recommendations

- For each of the issues identified, we have agreed actions in the action plan. When implemented these will positively improve the control environment. Detailed agreed actions are listed within the Management Action Plan (MAP) at pages 7-8 of this report.

Detailed Findings

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

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

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

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

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

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

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

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

5.1. A clearly defined process is in place to oversee the monthly payment of employer contributions to the CPF. Employers submit details of their contributions each month on a PEN18 electronic return. The PEN18s system checks that employer contributions received agree to actuary percentage rate for pensionable pay for employer's contributions. This system is automated so

Internal Audit & Risk delivering for

that when the data is fed into the system it calculates the amount due based on pensionable pay, this is then compared to the amount received. A check is also completed at the same time to compare to monies received. Where variances occur the employer is contacted and they either adjust the next payment or invoice the employer. A review of contribution records for 10 employers found that:

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

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

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

(See MAP 1)

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

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

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

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

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

- A transfer out request form was on file signed by the member.
- Confirmation from the employer / LGSS Payroll was on file to confirm the member had left their pensionable employment.

Internal Audit & Risk delivering for

- A calculation of the transfer out value was on file which had been subject to review and authorisation by a Team Leader.
- The payment had been made to the appropriate Pension Fund.

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

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

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

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

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

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

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

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

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

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

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

(See MAP 2)

9.3.1 A review of the reconciliations highlighted the following:

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

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

(See MAP 3)

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

Management Action Plan

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

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

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

Distribution List

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

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

Issue Date: 14th February 2020

Audit Committee Date: 24th March 2020

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

LGSS Chief Internal Auditor Approval: Duncan Wilkinson

Quality Reviewed: Stephen Mangan

Lead Auditor: Janette Lynn

Cambridgeshire Pension Fund



Pension Fund Committee

Date: 18th June 2020

Report by: Head of Pensions

Subject:	Pension Fund Annual Business Plan and Medium-Term Strategy 2019/20 to 2021/22
Purpose of the Report:	To present the Annual Business Plan and Medium-Term Strategy which details the Fund's key areas of activity over the period 2020/21 to 2022/23.
Recommendations:	The Committee are asked to approve the attached Business Plan and Medium-Term Strategy.
Enquiries to:	Jo Walton – Governance and Regulations Manager Email: jwalton@northamptonshire.gov.uk

1. Background

- 1.1 It is considered good governance for the Cambridgeshire Pension Fund to adopt a Business Plan and Medium-Term Strategy that:
 - Sets out the objectives of Cambridgeshire County Council (the administering authority) with regards to the management of the Fund;
 - Documents the priorities and improvements to be implemented during the next three years to help achieve those objectives;
 - Enables progress and performance to be monitored in relation to those priorities; and
 - Provides a clear vision for the next three years.
- 1.2 The Business Plan and Medium Term Strategy for the Cambridgeshire Pension Fund for the period 2020/21 to 2022/23 is in **Appendix 1**.

2. The Business Plan and Medium-Term Strategy

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

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

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

3. Relevant Fund objectives

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

Continually monitor and measure clearly articulated objectives through business planning.

Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
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4. Finance & Resources Implications

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

5. Risk Management

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

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

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

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

6. Communication Implications

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

7. Legal Implications

- 7.1 Not applicable.

8. Consultation with Key Advisers

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

9. Alternative Options Considered

- 9.1 Not applicable.

10. Background Papers

- 10.1 Not applicable.

11. Appendices

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

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
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 19 th May 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020

REVISED Annual Business Plan and Medium Term Strategy

2020/21 to 2022/23

Cambridgeshire Pension Fund

Introduction

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

The purpose of the business plan is to:

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

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

Further information

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

Mark Whitby, Head of Pensions
mwhitby@northamptonshire.gov.uk
07990 556197

Background to the Cambridgeshire Pension Fund

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

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

Governance and management of the Fund

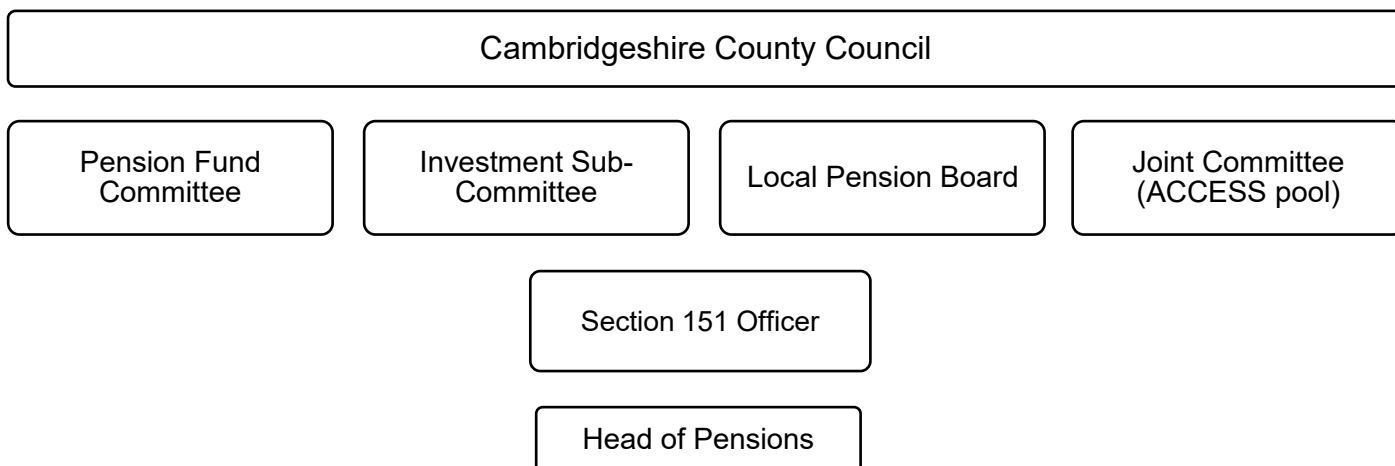
The key decision making and management of the Fund has been delegated by Cambridgeshire County Council (the administering authority) to a formal Pension Fund Committee, supported by an Investment Sub-Committee that looks at the operational governance of investment issues.

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

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

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

The governance structure is detailed below:



Administration of the Fund

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

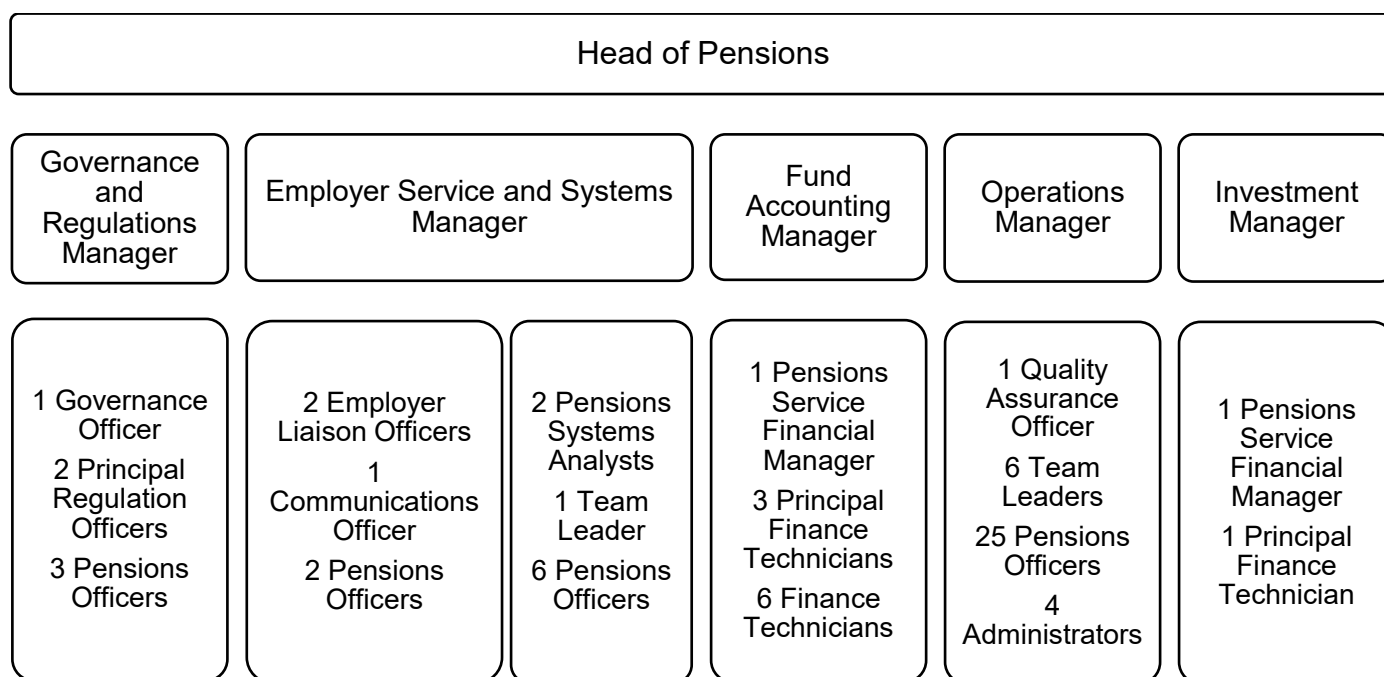
The administration and investment functions of both Funds have been fully converged for a number of years and are based at One Angel Square in Northampton. Both Funds have benefited from cost savings through the ability to procure services such as custodian and actuarial, benefits, governance and investment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

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

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

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

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



Objectives for the management of the Fund

The Fund's agreed objectives are detailed as follows;

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- To continually monitor and measure clearly articulated objectives through business planning.
- To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- To ensure regular monitoring of employer covenants, putting in place mitigations of adequate strength to protect the Fund.
- To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.
- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To promote the scheme as a valuable benefit.
- To deliver consistent plain English communications to stakeholders.

- To provide scheme members with up to date information about the scheme in order that they can make informed decisions about their benefits.
- To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.
- To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To put in place a Strategic Asset Allocation ensuring it is appropriately maintained taking into account the Funding Strategy.
- To maximise investment returns over the long term within agreed risk tolerances.
- To ensure an appropriate cash management strategy is in place so that net cash outgoings can be met as and when required.

Business as usual

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

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

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

Governance

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

Accountancy

- Preparing and publishing the Fund’s annual report.
- Completing the annual accounts and assisting with external auditors.
- Preparing the annual budget and monitoring quarterly.

- Preparation of statutory and non-statutory returns as required.
- Conducting monthly bank reconciliations.
- Quarterly cash flow and treasury management.
- Monthly monitoring of income and expenditure including employer and scheme member contributions.
- Invoicing of employers for pensions strain and unfunded benefits.

Funding

- Agreeing the funding strategy with the Scheme Actuary every three years, consulting with employers and monitoring continued appropriateness annually.
- Managing the triennial valuation alongside the Scheme Actuary, providing membership and cash flow data and appropriately communicating with scheme employers.
- Monitoring the covenant of scheme employers including their ability to pay contributions and managing those who wish to join or cease membership of the scheme.

Investments

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

Administration

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

Payroll

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

Communication

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

Technical

- Maintaining and updating the pensions administration system.
- Ensuring presence, accuracy and regular review of scheme member data in line with the expectations of the Pensions Regulator and to comply with the General Data Protection Regulations.
- Providing guidance on changes in processes following new or amending legislation.
- Reporting on progress against key performance indicators and daily work management.
- Providing reports and extracts for the Government's Actuary Department and other government departments.
- Reporting and making payments to HMRC.
- Processing bulk updates to member records such as new joiners and leavers, pensions increase and year-end or monthly contributions.

The plan for the next three years

Key challenges and influences

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

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

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

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

Budget

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

Cash flow projection 2019/20 to 2022/23

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

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

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

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

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

Management expenses

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

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

Administration expenses

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

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

Delivering the business plan

Monitoring and reporting

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

The updates will:

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

Risk Management

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

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

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

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

Service delivery

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

SD1 – Undertake a review of the Business Continuity Plan

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

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

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

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

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

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

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

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

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

Timescale	Key Milestone	Dates
	Decision over whether to procure or extend	June 2021

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

SD4 – Extension of existing pensions administration and payroll software contract

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

Procurement of a pensions administration and payroll software supplier under the framework would involve a competitive process and would need to be in place 6 months to a year before the start of the new contract. This is due to the amount of preparatory work that would be required

to transition to a new provider (if required) which would entail the re-engineering of every casework procedure and associated workflow process. This transition period is complicated by the requirement to transition the pensioner payroll as well as the pensions administration system.

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

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

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

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

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

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

Timescale	Key Milestone	Dates
	Decision over whether to procure or extend	December 2020

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

Governance and Compliance

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

GC1 - Complete the Guaranteed Minimum Pension rectification

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

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

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

GC2 - Obtain Pensions Administration Standards Association (PASA) accreditation

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

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

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

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

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

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

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

Communications, Systems and Employer Management

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

CSEM1 – Undertake a digital strategy review

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

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

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

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

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

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

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

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

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

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

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

CSEM3 – Prepare for the 2022 Valuation of the Pension Fund

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

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

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

CSEM4 – Implement multiple investment strategies

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

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

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

Operations

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

OPS1 – Resolution of unprocessed leaver records

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

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

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

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

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

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

OPS2 - Scope and conduct potential liability reduction exercises

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

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

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

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

Investments

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

INV1 - Implement strategic allocation to Fixed Income

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

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

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

INV2 – Re-tender for investment consultancy services

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

with the Northamptonshire Pension Fund for a single supplier to benefit from the efficiencies of a shared service. Each Fund will have separate contractual arrangements.

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

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

INV3 – Continue development of the asset pool

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

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

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

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

INV4 – Tender for an independent investment advisor

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

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

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

INV5 – Review the Fund’s Responsible Investment Policy.

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

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

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

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

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

INV6 – Review the Real Estate Strategy

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

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

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

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

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

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

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

Cambridgeshire Pension Fund



Pension Fund Committee

18th June 2020

Report by: Head of Pensions

Subject:	Governance and administration risk management in light of the Coronavirus pandemic
Purpose of the Report:	<p>1) To provide an update on the measures in place to ensure the continued governance and administration operations of the Cambridgeshire Pension Fund</p> <p>2) To present the risk log for the Coronavirus pandemic</p>
Recommendations:	That the Pension Fund Committee notes the content of the report.
Enquiries to:	<p>Jo Walton – Governance and Regulations Manager, LGSS Pensions</p> <p>E-mail: jwalton@northamptonshire.gov.uk</p>

1. Background

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

2. Business Continuity

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

2.2 Staffing

- 2.2.1 The vast majority of officers are working from home with only one officer attending the office on a regular basis to manage the incoming post and to print documents that need to be sent to members. The number of available work stations in One Angel Square has been reduced to ensure social distancing guidelines are met.

- 2.2.2 All staff have equipment they need to be able to work safely from home, some of which has been loaned by Northamptonshire County Council such as office chairs, monitors and desktop computers. All systems can be accessed securely. Staff are being supported to work flexibly to assist them with any caring responsibilities.
- 2.2.3 There has been very limited staff absence during this time and since mid-April no member of staff has needed to self-isolate due to coronavirus symptoms or from coming into contact with, or living with someone who has had symptom or a positive diagnosis.
- 2.2.4 Given that there is yet no clear indication of how long staff will be required to work from home and in recognition that this a challenging and worrying time in many different ways all staff are also being provided with a wealth of health and wellbeing information from Northamptonshire County Council. Team managers are regularly checking in with their team members to offer any support that may be required.

2.3 Pension Fund operational priorities

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

2.4 Communication with scheme employers and scheme members

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

3. Risk Management

3.1 Risk Register and Risk Log

- 3.1.1 The Fund's risk register is subject to quarterly reviews by officers and the Local Pension Board. The risk register has been most recently reviewed by officers and can be found in **appendix 1**. The risk register has been designed and agreed to be a high level document to capture the Fund's risks without requiring continual change.

- 3.1.2 The risk entitled 'Failure to respond to changes in economic conditions' (risk number two on the register) now has had additional control to recognise the challenges presented by the Coronavirus pandemic which are to increase the engagement with investment managers and increased monitoring of asset movements.
- 3.1.3 The pandemic has however, resulted in certain elements and controls of existing risks on the risk register to require closer attention at this time. Instead of changing the high level risk ratings of the high level risks a separate risk log specific to the Coronavirus pandemic has been created.
- 3.1.4 The log identifies the very specific risks that were expected at the beginning of the pandemic but with the likelihood and impact ratings as they stand now with the benefit of being several months further down the line.
- 3.1.5 The risk log can be found in **appendix 2**.

4. Relevant Pension Fund Objectives

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

5. Risk Management

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

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

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

6. Finance and Resources Implications

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

7. Communication Implications

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

8. Legal Implications

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

9. Consultation with Key Advisers

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

10. Alternative Options Considered

- 10.1 There are no alternative options to be considered.

11. Background Papers

- 11.1 None.

12. Appendices

- 12.1 Appendix 1 – Cambridgeshire Pension Fund Risk Register

- 12.2 Appendix 2 – Cambridgeshire Pension Fund Coronavirus Pandemic Risk Log

Checklist of Key Approvals	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 18 th May 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Monitoring Officer?	Fiona McMillan – 1 st June 2020

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

Cambridgeshire Pension Fund Risk Register

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

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

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

Overall responsibility rests with the Head of Pensions

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

Likelihood of risk occurring

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
1	Employers unable to pay increased contribution rates.	4	4	16	R	<ul style="list-style-type: none"> Provisional contribution rates are consulted on with each scheme employer as part of the valuation process Review of employer covenant, looking at the terms of the admission agreement and bond/guarantor arrangements. Negotiate terms of deficit recovery whilst keeping employer contribution rates as stable and affordable as possible. 	4	3	12	A
2	Failure to respond to changes in economic conditions.	4	4	16	R	<ul style="list-style-type: none"> The Fund has established a quarterly Investment Sub Committee dedicated to focus on Investment matters. The Fund receives quarterly performance reports which consider operational and strategic investment issues. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund publishes an Investment Strategy Statement which is regularly reviewed. The Fund has currency hedging arrangements in place. Investment decisions can be delegated to the Head of Pensions in consultation with the Chairman. Coronavirus pandemic: Increased engagement with investment managers and monitoring of asset movements. 	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"> Investment managers are required to take account of both financial and non-financial factors in their investment decisions. Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk Managers are required to report regularly on their compliance with our ESG policy It is ensured that the ACCESS asset pool meets the Fund's ESG requirements 	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"> • 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. • A procedure is in place to identify non-payment and late payment of contributions as defined in the Employee and Employer Late Payment Policy. • The Policy includes a reporting process to report late payments to Committee and the Pensions Regulator • Internal Audit reviews take place on an annual basis and external audit review the accounts annually. 	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"> • The Funding Strategy Statement is reviewed every 3 years. • The Fund Actuary considers asset valuations and the Fund Investment Strategy in setting employer contributions rates. • The yearend financial statements record the Funds asset position and is subject to robustly reviewed by external audit, which supports the Funds asset valuation applied to assess fund adequacy. • The Fund has currency hedging arrangements in place. 	4	2	8	A
6.	Information may not be provided to stakeholders as required	3	3	9	A	<ul style="list-style-type: none"> • 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. • Letters are generated through task management for consistency and are checked before being sent out. • Communications Officer now in place. • Membership of the Local Government Association (LGA) Communications Working Group. • Membership of the Regional Joint Communications Group. • Communication and Digital Communication Strategy in place 	3	2	6	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
7.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	3	3	9	A	<ul style="list-style-type: none"> Investment Strategy in place which is in accordance with LGPS investment regulations. A formal review of the strategic asset allocation is undertaken on a triennial basis. The Fund appoints professional investment advisers to support the Pension Committees investment decisions At each triennial actuarial valuation the Funding Strategy Statement considers alignment of the investment strategy to employer covenant and affordability. Members are encouraged to participate in Skills & Knowledge training with respect to Investments and attend relevant industry conferences. Detailed training records are maintained. 	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"> Training Strategy in place to facilitate the continual development of both Committee and Board members. New members are provided with relevant documentation to assist them in their roles. The Fund subscribes to relevant professional bodies such as Local Authority Pension Fund Forum (LAPFF) and Pension and Lifetime Savings Association (PLSA). 	3	2	6	G
9.	Risk of fraud and error	3	3	12	A	<ul style="list-style-type: none"> Anti- Fraud and Corruption policy in place. Fund participates in the National Fraud Initiative and undertakes oversees pensioner existence checks. Robust processes in place including segregation of duties and authorisation protocols. 	3	2	6	G
10.	Failure to understand and monitor risk compliance	3	2	6	G	<ul style="list-style-type: none"> Business Continuity plan in place and is updated at least annually. Active risk register in place, the Committee and Board are updated if there are any risk movements between scheduled reporting timescales. The Local Pension Board have oversight of risk monitoring to assist the Pensions Committee on decision making. 	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"> Employers are made aware of their responsibilities upon admission via the LGSS website and direct employer communication. Training is provided to employers on a minimum quarterly basis and more often, if required. The importance of a statutory deadlines is stressed to the employer through all communications and via events such as the employer forums. Support is also available through the website, dedicated employers help line and templates issued where applicable. 	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"> The Custodian is selected from experienced providers on the LGPS National Framework who have met the quality criteria for the framework. Complete and authorised agreements are in place with external custodian. External custodian's compliance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organisation. Officers of the Fund engage in quarterly monitoring of custodian performance with a report presented at the annual meeting of the Pensions Committee. 	4	1	4	G
13.	Pension Fund systems and data may not be secure and appropriately maintained – including cyber risk.	4	2	8	A	<ul style="list-style-type: none"> System user controls are in place including regular password changes. Access rights are controlled. Data is backed up. Audit trails are in place. Pension system is protected against viruses and other system threats. The pensions administration system is updated to ensure Local Government Pension Scheme requirements are met. Hosted pensions server and backup server are at separate Bedfordshire sites. Disaster recovery plans are in place for both Heywood and LGSS. Compulsory online training for LGSS Officers on Cyber resilience and Data Protection. 	4	1	4	G

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

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

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

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	R A G	Controls	Residual Impact	Residual Likelihood	Residual Total	R A G
24.	Investment decisions and portfolio management may not maximise returns or be performed in accordance with instructions provided	3	2	6	G	<ul style="list-style-type: none"> The Fund is compliant with Investment regulations and best practice guidance. The Fund appoints professional investment advisers to support the Pension Committees investment decisions The Funds asset allocation is considered by the Actuary when undertaking the triennial valuation. Investment performance is closely monitored, in particular the Investment Sub Committee receives quarterly performance reports provided by recognised industry professionals highlighting key issues. The Fund publishes and regularly reviews its Investment Strategy Statement, which references in particular Environmental, Social and Governance (ESG) issues. 	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"> Automated extraction of data where viable and agreed procedures for reporting. Robust authorisation protocols in place. Internal and External audit reviews. 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. Membership year end reconciliation and investigate variations from the accounting valuations. Management and administration are maintained in accordance with the SORP and the Financial Regulations. Data Improvement Policy and Plan are in place. Anti-Fraud and Corruption Policy in place. 	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"> The Data Improvement Policy and Plan are in place. 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. The Pension Committee and Local Pension Board receive updates against the plan quarterly. 	3	1	3	G

Criteria for assessing impact and likelihood

Impact

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

Likelihood

Description	% risk of happening	Or	Potential timescale
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



Pension Fund Committee

Date: 18th June 2020

Report by: Head of Pensions

Subject:	Update to Funding Strategy Statement
Purpose of the Report:	To update the Pension Fund Committee on required changes to the Funding Strategy Statement.
Recommendations:	That the Committee provide delegated authority to the Head of Pensions, in consultation with the Chairman of the Committee, to approve draft amendments to the Funding Strategy Statement.
Enquiries to:	Name – Cory Blose – Employer Services and Systems Manager Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Funding Strategy Statement was previously approved by the Pension Fund Committee as part of the valuation process. Since publication, there has been an amendment to the Local Government Pension Scheme Regulations 2013, affecting cessations from the Fund, requiring further revision to the strategy statement.
- 1.2 Officers previously informed the Committee that the Regulations had been updated in 2018 compelling administering authorities to pay an exit credit to a ceasing employer where they have a funding surplus at the point of cessation. The wording of the legislation introducing exit credits was very broad and, unfortunately, did not allow administering authorities to take into account any considerations that might make the payment of an exit credit inappropriate. For example, the Regulations did not allow a Fund to take into consideration any risk sharing arrangements between admitted bodies and their sponsoring Scheme employer.
- 1.3 The Regulations have now been amended to give administering authorities some discretion when determining whether or not an exit credit is payable and, if so, the value of that exit credit. Following the amendment Regulation 64, Paragraph 2ZC states the following:

In exercising its discretion to determine the amount of any exit credit the administering authority must have regard to the following factors

- a) the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);*

b) the proportion of this excess of assets which has arisen because of the value of the employer's contributions;

c) any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and

d) any other relevant factors.

2. Update to Funding Strategy Statement

- 2.1 The Funding Strategy Statement must now be updated to reflect the changes to the Regulations and set out the process that will be applied by the Administering Authority when exercising this discretion.
- 2.2 At the time of writing this report officers were working with the Fund's legal and actuarial advisors to develop draft amendments, unfortunately due to the technical nature of this work, it could not be completed in time for this meeting.
- 2.3 Once a draft is complete, a 30 day consultation must be held to seek any comments from employers. A final draft, incorporating any further amendments, would then be presented to the Pension Committee for final approval.
- 2.4 Due to the significance of these changes, it would be inappropriate to wait until the next available meeting of the Committee before consulting with employers. The Committee are asked to provide delegated authority for the Head of Pensions, in consultation with the Chairman, to approve the draft amendments, taking account of appropriate professional advice.
- 2.5 This would allow a final draft to be presented at the next quarterly Committee meeting, speeding up the process significantly and ensuring we have appropriate policies in place.

3. 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)

4. Finance and Resources Implications

4.1 None

5. Risk Management

5.1 The Funding Strategy Statement sets out the policies that will apply to employers during and/or following certain events.

5.2 The amendments being made are required in order to ensure that the Funding Strategy Statement reflects current legislation and ensure that the Administering Authority acts fairly and equitably when exercising its discretion over the payment exit credits.

5.3 There are risks associated with making or not making this decision have been captured below.

5.4 In order to mitigate these risks, officers are seeking advice from the Fund's legal and actuarial advisors and will be consulting with employers before seeking Committee approval of a final draft.

Risk No	Risk	Residual risk rating
5	Fund assets are not sufficient to meet the obligations and liabilities	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
20	Failure to act appropriately upon expert advice and/or risk of poor advice	Green

5.5 A full version of the Fund risk register can be found at the following link – <https://pensions.northamptonshire.gov.uk/app/uploads/2019/10/RiskRegisterCPF.pdf>

6. Communication Implications

Direct Communications	A communication will be issued to inform employers that the amended Funding Strategy Statement has been published for consultation
Website	The Funding Strategy Statement will be published on the Fund's website

7. Legal Implications

7.1 Advice is required from appropriate legal advisors

8. Consultation with Key Advisers

- 8.1 Consultation with the Fund Actuary and the Fund's legal advisors will be undertaken.

9. Alternative Options Considered

- 9.1 Presenting the draft Funding Strategy Statement at a later meeting of the Pension Fund Committee, thus delaying the consultation timeframe.

Checklist of Key Approvals	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 19 th May 2020
Has the Chairman of the Pension Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

18th June 2020

Report by: Head of Pensions

Subject:	Employer Admissions and Cessations Report
Purpose of the Report:	<ol style="list-style-type: none"> 1. To report nine admissions to the Cambridgeshire Pension Fund 2. To notify the Committee of eight bodies ceasing in the Cambridgeshire Pension Fund 3. To seek approval, in principal, to agree a repayment plan with one ceasing employer
Recommendations	<p>That the Pension Fund Committee:</p> <ol style="list-style-type: none"> 1. Notes the admission of the following admitted bodies to the Cambridgeshire Pension Fund and approves the sealing of the admission agreements: <ul style="list-style-type: none"> • ABM Catering • Busy Bee Cleaning Services • Easy Clean Contractors (2 admission agreements) • Pabulum Ltd (2 admission agreements) • Radis Community Care • Taylor Shaw • VHS Cleaning Service Ltd 2. Notes the cessation of the following bodies from the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> • Advanced Cleaning Services (ACS) Ltd • Aspens Ltd • Chilford Hundred Trust • Holmewood and District Internal Drainage Board • Leisure Provisions Ltd • P3 – People, Potential and Possibilities • Pabulum Ltd • Wisbech Grammar School 3. Approves, in principle, the proposal to agree a repayment plan with Wisbech Grammar school
Enquiries to:	<p>Name – Cory Blose, Employer Services and Systems Manager Tel – 07990560829 E-mail – cblose@northamptonshire.gov.uk</p>

1. Background

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

2 New Admission Bodies

- 2.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 2.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service, in connection with the function of a scheme employer, as the result of a transfer of service or assets by means of a contract or other arrangement.
- 2.3 The Pension Fund Committee is asked to note the admission of the following bodies into the Cambridgeshire Pension Fund under paragraph 1(d)(i) and to approve the sealing of the admission agreements.

Date	New Admission Body	Background information
01/08/2019	ABM Catering (Oakdale Primary School)	Oakdale Primary School has entered into a contract with ABM Catering to provide catering services. Peterborough City Council has agreed to retain the pension risk under a pass through agreement.
28/05/2019	Busy Bee Cleaning Services Ltd (St Bedes Inter-Church School Academy)	St Bedes Inter-Church School Academy has entered into a contract with Busy Bee Cleaning Services Limited to provide cleaning services. The Academy has agreed to retain the pension risk under a pass through agreement.
01/01/2020	Easy Clean Contractors (Arbury Primary School)	The Arbury Primary School has entered into a contract with Easy Clean Contractors to provide cleaning services. Cambridgeshire County Council has agreed to retain the pension risk under a pass through agreement.
01/11/2019	Easy Clean Contractors (Brampton Village Primary School)	The Brampton Village Primary School has entered into a contract with Easy Clean Contractors to provide cleaning services. Cambridgeshire County Council has agreed to retain the pension risk under a pass through agreement.

24/02/2020	Radis Community Care (GP Homecare Ltd)	Radis Community Care has entered into a contract with Cambridge County Council to provide care services at Ditchburn Place. Cambridgeshire County Council has agreed to share the pension risk under a pass through agreement.
01/06/2018	Pabulum Ltd (Cambridge Meridian Academies Trust (CMAT))	Cambridge Meridian Academies Trust (CMAT) has entered into a contract with Pabulum Limited to provide catering services. CMAT has agreed to retain the pension risk under a pass through agreement.
29/10/2018	Pabulum Ltd (Cambridge Primary Education Trust (CPET))	Cambridge Primary Education Trust (CPET) has entered into a contract with Pabulum Limited to provide catering services. CPET has agreed to retain the pension risk under a pass through agreement.
01/09/2019	Taylor Shaw (Abbey College Academy)	The Abbey College Academy has entered into a contract with Taylor Shaw to provide catering services. The Academy has agreed to retain the pension risk under a pass through agreement.
01/01/2018	VHS Cleaning Service Ltd (The Netherhall School)	The Anglian Learning Trust has entered into a contract with VHS Cleaning Service Ltd to provide cleaning services. The Anglian Trust has agreed to retain the pension risk under a pass through agreement.

3. Cessations

3.1 Advanced Cleaning Services Ltd (Kettlefields Primary School)

- 3.1.1 Advanced Cleaning Services were admitted to the Fund under a pass through agreement on 1 October 2018, after entering a contract to provide catering services to Kettlefields Primary School.
- 3.1.2 On 30 November 2019 the last active member left employment. No exit payment or credit will be required as the pension liabilities were retained within Cambridgeshire County Council.

3.2 Aspens Ltd (Brewster Avenue Infants, Dogsthorpe Infants, Oakdale Primary and St Augustine's CofE Junior Schools)

- 3.2.1 Aspens Ltd were admitted to the Fund under a pass through agreement on 1 August 2018, after entering a contract to provide catering services to Brewster Avenue Infants, Dogsthorpe Infants, Oakdale Primary and St Augustine's CofE Junior Schools.
- 3.2.2 Their service contract with the schools ended on 31 July 2019. No exit payment or credit will be required as the pension liabilities were retained within Peterborough City Council.

3.3 Chilford Hundred Trust

- 3.3.1 Childford Hundred Trust were admitted to the Fund as a Scheduled Body on 1 February 2011 after Linton Village College and Linton Heights Junior School converted to an academy under sponsorship of Childford Hundred Trust.
- 3.3.2 On 31 March 2020, all academies within the trust were transferred to Anglian Learning Trust, meaning the Childofrd Hundred Trust ceased as a Scheme employer in the Fund. All assets and liabilities in relation to the transferred academies have been rolled over to Anglian Learning Trust.

3.4 Holmewood and District Internal Drainage Board

- 3.4.1 Holmewood and District Internal Drainage Board is a designating body which passed a resolution to join the Cambridgeshire Pension Fund on 1 April 1988.
- 3.4.2 On 31 March 2019, the last active member left employment, meaning Holmewood Internal Drainage Board ceased as a Scheme employer in the Fund. An actuarial assessment as of the date of cessation has resulted in a surplus of £8,000. The cessation surplus has been paid to Homewood and District Internal Drainage Board.

3.5 Leisure Provisions Ltd (Ely St John's School and Monkfield Park Primary School)

- 3.5.1 Leisure Provisions Ltd were admitted to the Fund under a pass through agreement on 29 October 2018, after entering a contract to provide cleaning services to Ely St John's School and Monkfield Park School.
- 3.5.2 Their service contract with the schools ended on 31 March 2019. No exit payment or credit will be required as the pension liabilities were retained within Cambridgeshire County Council.

3.6 P3 – People, Potential and Possibilities

- 3.6.1 P3 – People, Potential and Possibilities were admitted to the Fund under a pass through agreement on 1 October 2018, after entering a contract to provide community based services for Cambridgeshire County Council.
- 3.6.2 On 31 July 2019 their last active member left the organisation. No exit payment or credit will be required as the pension liabilities were retained within Cambridgeshire County Council.

3.7. Pabulum Limited (Lantern CP School Academy)

- 3.7.1 Pabulum Limited were admitted to the Fund under a pass through agreement on 1 June 2018, after entering a contract with Cambridges Meridian Academies Trust to provide cleaning services to Lantern CP School Academy.
- 3.7.2 There service contract with the academy ended on 31 July 2019. No exit payment or credit will be required as the pension liabilities were retained within Cambridge Meridian Academies Trust.

3.8 Wisbech Grammar School

- 3.8.1 Wisbech Grammar School was admitted to the Fund on 13 March 1987 as a body providing a public service in the United Kingdom otherwise than for gain.

- 3.8.2 On 31 January 2020, the School was sold to a private entity and the last active members left the Scheme, creating a cessation event. The Trust that was operating the school has no liquid assets available to pay off their pension deficit but does have significant physical assets. We are currently in discussions with the Trust over a potential repayment plan. In return, the Trust has provided a security proposal.
- 3.8.3 Officers are seeking approval in principal for the proposal so that we can take appropriate legal advice and agree the finer detail. Due to the inclusion of commercially sensitive information, the details of the proposal have been included in private appendix A.

4. Relevant Pension Fund Objectives

Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers. <i>Objective 2</i>
Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. <i>Objective 5</i>
Ensure appropriate exit strategies are put in place in both the lead up to and termination of a scheme employer. <i>Objective 7</i>

5. Risk Management

- 5.1 The Pension Fund Committee are responsible for approving some admission bodies into the Fund as well as monitoring all admissions and cessations.
- 5.2 The risks associated with failing to monitor admissions and cessations have been captured in the Fund's risk register as detailed below.

Risk No	Risk	Residual risk rating
11	Lack of understanding of employer responsibilities which could result in statutory and non-statutory deadlines being missed.	Green
14	Failure to administer the scheme in line with the regulations.	Green
17	Failure to provide relevant information to the Pension Fund Committee/Pension Board to enable informed decision making	Green
21	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met.	Green

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

6. Finance & Resources Implications

- 6.1 Actuarial costs incurred by obtaining a calculation of the employer's contribution rate and opening funding position at commencement are recharged directly to the employer.
- 6.2 The employer contribution rate contains an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations should be cost neutral.
- 6.3 Employers who are unable to pay monies due during the course of active membership may result in unpaid liabilities being borne by other employers in the Fund.

7. Communication Implications

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

8. Legal Implications

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

9. Consultation with Key Advisers

- 9.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 9.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

10. Alternative Options Considered

10.1 None available.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	
Will further decisions be required? If so, please outline the timetable here	
Is this report proposing an amendment to the budget and/or policy framework?	
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 th May 2020
Has this report been cleared by Head of Pensions?	Mark Whitby – 19 th May 2020
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 5 th June 2020
Has this report been cleared by Legal Services?	Fiona McMillan – 1 st June 2020

