

PENSION FUND COMMITTEE



Tuesday, 08 December 2020

Democratic and Members' Services

Fiona McMillan

Monitoring Officer

13:30

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. Apologies for absence and declarations of interest**
Guidance on declaring interests is available at <http://tinyurl.com/ccc-conduct-code>
- 2. Public minutes of the Pension Fund Committee meeting held 8th October 2020** **1 - 12**
- 3. Action Log** **13 - 14**
- 4. Administration Performance Report** **15 - 22**
- 5. Pension Fund Annual Business Plan Update report 2020-21** **23 - 40**
- 6. Governance and Compliance Report** **41 - 56**

- | | | |
|-----|--|-----------------|
| 7. | Risk Monitoring | 57 - 74 |
| 8. | Cambridgeshire Pension Fund Data Improvement Policy | 75 - 88 |
| 9. | Employer Admissions and Cessations Report | 89 - 96 |
| 10. | Administration Strategy Review | 97 - 122 |
| 11. | 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> | |
| 12. | ACCESS Asset Pooling Update <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |
| 13. | Multiple Investment Strategies <ul style="list-style-type: none"> • Information relating to the financial or business affairs of any particular person (including the authority holding that information); | |

The Pension Fund Committee comprises the following members:

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

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

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

MINUTES OF THE PENSION FUND COMMITTEE

Date: Friday 9th October 2020

Time: 9.30am – 12.35am

Venue: Virtual Meeting

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

Officers: B Barlow, C Blose, D Cave, F Coates, M Oakensen, P Tysoe, J Walton and M Whitby

Apologies: Councillors Hay and Seaton

207. DECLARATIONS OF INTEREST

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

208. PUBLIC MINUTES OF THE PENSION FUND COMMITTEE MEETING HELD 23rd JULY 2020

The minutes of the Pension Fund Committee meeting held on 23rd July 2020 were approved as a correct record.

With regard to the Action Log, it was noted that an explanation on administration expenses had been circulated (item 200) and that the Administration Performance Report now included an explanation of the Red/Amber/Green ratings (item 201).

The Action Log was noted.

209. ADMINISTRATION PERFORMANCE REPORT

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

An Amber Key Performance Indicator (KPI) was noted in relation to maximum number of estimates, this assessment related to an absent report, and actions had been taken to ensure this did not happen again.

In terms of late payments to the fund, there had been few issues, although there had been discussions with the one small employer referred to in the confidential appendix.

In response to questions:

- A Member queried the slight reduction in the original timescale for action on unprocessed leaver records. Officers confirmed that despite maintaining the service pretty much as usual since the pandemic had commenced, some of the backlog of project work had not been dealt with as per the original timescale. There was a significant influx of additional cases since the end of August so this was likely to be Red rated;
- With regard to a similar reduction in relation to contracted liabilities, the issue was the same but this was a resource issue for HMRC, not the Pensions team;
- In response to a question on the £12M variance in investment income. It was confirmed that this should be listed as a negative figure, due to the decline in investment income;
- With regard to the “vacancy factor lower due to Covid 19” under staff related administration, it was confirmed that normally the budget allowed for three vacancies, but because of Covid-19, there was reduced staff turnover, and the team was carrying a fuller establishment than usual. This was offset to some extent by a reduction in agency staff.

It was resolved unanimously to:

Note the Administration Performance Report

210. PENSION FUND ANNUAL BUSINESS PLAN UPDATE REPORT 2020- 21

The Committee considered an update to the Business Plan for the period 1st April to 31st August 2020.

Members noted that progress had been made on many aspects of the Business Plan, especially around investment, but less progress had been made on some of the operational case work projects. Specifically:

- A full review of the business continuity plan was currently taking place;
- The administration and payroll contract with Heywood had been extended to 2024 so that all aspects of the contract were now coterminous;
- Work had been undertaken with regard to having multiple investment strategies to provide flexibility for the different scheme employers. This was scheduled for Committee in December;
- Although there had been a small reduction on unprocessed leaver forms, Aon had only commenced processing Tranche 2 of the backlog in August 2020, again due to the pandemic;

- Much of the strategic investment work was progressing in line with the original timeframe, including the development of the asset pool, and the strategic allocation to fixed income;
- Interviews had recently taken place for the post of Independent Advisor, and the Chairman advised that there had been a very strong field;
- Responsible Investment was an increasingly important area of the Fund's work, and the policy was being developed following the survey. There was clearly a lot of interest in this area, and Members were encouraged to contact officers if they received queries on Responsible Investment and related issues;
- A Member asked about the reference to the Digital Strategy review being carried out over a three year period, and asked whether everything would be presented at the end of the review, or whether there would be incremental changes as it progressed. It was confirmed that whilst some elements would take three years to complete, there were some parts of the Digital Strategy that would be brought back for consideration as and when completed;
- A Member pointed out that there were elections in May 2021, and this should be taken into consideration when training was being planned, as there could be significant changes to Committee membership. Officers thanked the Member and reassured the Committee that they were cognisant of this point, and they would be scheduling training so that Members were appropriately trained to make the decisions they were being asked to make.

It was resolved unanimously to:

Note the Business Plan Update to 31st August 2020.

211. 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.

Members noted that good progress had been made with the Good Governance Review. Following the Information Day held in March 2020, the Scheme Advisory Board had requested that Hymans Robertson work on more detailed implementation proposals with the working group focussing on specific areas of the Good Governance review.

Following a Supreme Court ruling, the government recently decided that surviving male same-sex and female same-sex spouses and civil partners of public service pension scheme members would receive benefits equivalent to those received by widows of opposite sex marriages. A more recent case had highlighted that these changes may lead to direct sexual orientation discrimination within the Teachers' Pension Scheme, where

male survivors of female scheme members would now be entitled to a lower survivor benefit than a comparable same sex survivor. The government has concluded that changes are required to public service pension schemes to address this discrimination. The team would need to revisit all members who could be affected back to December 2005.

LGPS amendment regulations had come into force in September, providing more flexibility for Funds to manage risk in 3 key areas: (1) Inter-valuation reviews of employer contributions; (2) spreading of exit debts; (3) Deferred Debt Agreements

Members noted the results of the LGPS National Knowledge Assessment. Financial markets and product knowledge had been the best area of Member knowledge, whilst actuarial methods standards and practices the worst, and Pension administration had also scored relatively poorly.

Members' attention was drawn to Appendix 3 of the report, which detailed forthcoming training events. It was noted that some events were being published by providers at short notice, but the pensions team always notified Members as soon as they were aware. There was a query about how Members determined whether a training event was worthwhile. Officers advised that events that were communicated via officers were always ones which were useful. However, some Members were also on providers' mailing lists and they sent through information directly – in those cases, Members could always contact Jo or Paul to see if those events would be useful.

It was noted that a new Knowledge and Skills Policy would be presented to the Committee within the current financial year.

Members considered a presentation on Exit Payment Reform in the LGPS. In 2015, the government announced plans to cap exit payments in the public sector. This included a proposal for a £95K cap on the total of all forms of compensation, including redundancy payments, pension strain, compromise agreements and special severance payments. "Pension Strain" was the cost to the employer of paying a member's accrued pension to the date of redundancy, without any early retirement reductions that would have otherwise applied. Pension strain could vary between £1,000 to £300,000 depending on the member's individual circumstances i.e. length of service, salary and time until normal retirement age.

Following a period of inactivity, a consultation was issued by the Treasury in 2019, and the response to the consultation was published in July 2020. On 07/09/20, MHCLG issued a consultation on reforming local government exit pay in the LGPS. The proposal could impact negatively on individuals aged 55+ who are made redundant, who would normally receive their accrued pension immediately and in full, as the employer would make a payment to the pension fund (the pension strain). The proposal from MHCLG would involve:

a) A maximum tariff for calculating exit payments of three weeks' pay per year of service;

- b) A ceiling of 15 months (66 weeks) on the maximum number of months' or weeks salary that can be paid as a redundancy compensation payment, with discretionary lower limits;
- c) A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed on an annual basis using an appropriate mechanism.

The proposed Treasury regulations, if approved by Parliament, could come into force before the MHCLG has even finished its consultation. This could leave staff aged 55+ whose redundancy had already been agreed with effect from the end of October in an uncertain position. This was of immediate concern in Northamptonshire in particular, where significant redundancies were being actioned as the county moves to two unitary authorities, and the redundancy and pension estimates had been based on existing legislation. Worked examples were given showing the likely impact on individuals at different ages in different circumstances in terms of salary, service, etc.

The major concern was that this could take effect in the next few weeks. The Scheme Advisory Board has asked its legal advisors if it should be paying out on this basis before LGPS regulations change.

Members expressed grave concerns about the proposed new arrangements, which although originally aimed at addressed inequitable pay outs to high earners, appeared to have a disproportionately adverse impact on employees on more modest incomes, effectively making them choose between redundancy payments and maintaining their pension. It was noted that the Pension team were unable to provide financial advice to employees, they could only set out the options available. The regulations would be adding resource pressures and bureaucracy to what was already a difficult process. It was confirmed that in terms of cashflow for the Pension Fund, there should be no negative effect, as the proposals should be cost neutral. However, clarity was required for how the team should operate in the interim period.

A Member suggested that the impending changes needed to be communicated to scheme employees, but others suggested that clarity was needed before such communications were issued. Officers reassured the Committee that as soon as the new arrangements were actioned, scheme members would be informed.

A Member queried if the £95K cap would only apply to local government exit payments, i.e. it would not apply to employers who were not local authorities. Officers confirmed that the immediate focus was on local authorities and reforming local government exit pay, but given the language being used, it may have a wider scope in future. It was also noted that the exit cap was for "public sector employers", but the likelihood that would be applied to other admission bodies was quite low. The Member observed that there were a wide range of complex situations which would need to be considered individually e.g. where staff had been TUPE'd in, and smaller employers may need help in interpreting the new legislation.

The Chairman thanked officers for their presentation, particularly on the £95K cap issue, and asked them to keep the Committee informed as the situation unfolded.

It was resolved unanimously to:

Note the content of the report.

212. AGE DISCRIMINATION REMEDY IN THE LGPS (MCCLOUD) AND COST CAP MECHANISM (UPDATE)

The Committee considered updates on the age discrimination remedy in the LGPS as a result of the legal case brought by McCloud and on the paused cost control mechanism.

The McCloud case relates to the transitional protections given to scheme members of the Judges and Firefighters' Pension Scheme, who in 2012 were within ten years of their normal retirement age. The protections were introduced as part of the public service pension schemes reform. However, in 2018, the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified. Members who had been discriminated against would need to be offered appropriate remedies to ensure they were placed in an equivalent position to the protected members. Such remedies would involve raising the benefits of unprotected members rather than protected members' benefits being reduced. The report set out the detail of the specific actions required.

Aon had been commissioned to undertake a high level initial analysis of the likely impact on scheme members as a result of the likely remedy. Their analysis showed that nearly a quarter of members would be impacted by the remedy, comprising around 17,500 active, deferred and pensioner members of the scheme. The Fund has the records on hours and service breaks for its scheme members, but this relied on accurate information being provided by employers, some of whom were no longer in the scheme. The appendix to the report highlighted the likely issues in implementing the McCloud remedy, which included additional governance, training, software and administration requirements. In terms of timescales, the administrative impact from McCloud could be open-ended.

The Public Service Pension Schemes Act 2013 required public service pension schemes to include an employer cost control mechanism to protect the taxpayer from unforeseen increases in scheme costs. Preliminary valuations of new schemes established 'employer cost caps' in each public service scheme expressed as a percentage of pay. In the LGPS the cost cap was set at 19.5% of which 13.5% of pay represented the employer cost and 6.5% of pay was the scheme member cost. However, following McCloud case, the government announced a pause to the cost control element of the 2016 valuations in January 2019, due to the uncertainty around member benefits arising from the court judgements making it impossible to assess the value of the schemes to members with any certainty.

Discussing the implications of the McCloud case, individual Members:

- Observed that there was a considerable burden on the fund in terms of administration. Officers agreed, advising that the requirement for the current year was data collection, the majority of which was already available. Next year there would be considerable work updating that data;
- Queried how much the average pension payment may change in response to McCloud for those affected, i.e. whether it would have a significant impact on the Fund in terms of cashflow. Officers confirmed that the actual difference in benefits was minimal, with few scheme members receiving an uplift as a result of the remedy. In future, more scheme members may come into the scope of McCloud, although the values involved in these uplifts were generally very low, but the administrative burden was considerable;
- Observed that the administrative burden of McCloud and the Exit Payment Reform on the Pensions team's resources was considerable, but there were legal requirements that must be complied with;
- Asked what would happen if e.g. an employer had ceased trading. Officers confirmed that they were seeking clarification on issues such as employers who had ceased trading, and it may be the case that an estimate would need to be provided in those cases.

It was resolved unanimously to:

Note the report

213. UPDATE TO FUNDING STRATEGY STATEMENT

The Committee considered a report on changes required to the Funding Strategy Statement and Discretions Document.

The Funding Strategy had been updated to reflect new regulations in terms of the Administering Authority exercising discretion when an exit credit was payable, and set out the process that would be applied in those circumstances. The government had issued backdated legislation giving the Fund discretion to take into account a number of factors when determining whether an exit payment should be paid, and if so, the level of those payments, depending on factors such as changes in market conditions, contributions paid, risk sharing agreements, etc. The proposed exit payment policy outlined the process that would be followed in those cases.

Arising from the report:

- one Member asked for clarification as to whether the wording of the proposed amendment was standard to all LGPS funds. Officers advised that the wording was unique to the Cambridgeshire Fund, as it took into account the local policy, although most Funds would have similar wording, depending on the advice of their actuarial and legal advisors;
- a Member queried what would happen if there was a shortfall rather than an exit payment. It was confirmed that this was already covered within existing regulations and policies. The default position was to expect recovery in the event of a shortfall if the risk sat with the exiting employer, unless there was an arrangement where the risk sat with another body.

It was resolved to

1. approve the amendments to the Funding Strategy Statement;
2. approve the updating of the Administering Authority Discretions document to reflect the new policy.

214. CAMBRIDGESHIRE PENSION FUND 2020-21 COMMUNICATIONS STRATEGY

The Committee considered the Cambridgeshire Pension Fund Communications Strategy for 2020-21. The Strategy had been reviewed and updated and the main changes to the document were set out within the report.

It was resolved unanimously to:

approve the Communications Strategy

215. PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2019-20

The Committee considered the Draft Annual Report and Statement of Accounts of the Pension Fund for the 2019-20 financial year. Revised documents had been circulated with a number of non-material changes, prior to the meeting.

The Fund's auditors, EY, had completed their audit fieldwork of the Pension Fund Statement of Accounts but have not yet fully completed their review work. EY had issued a draft ISA260 report which confirmed that no issues were identified during their fieldwork.

Individual Members raised the following issues:

- Noting that a number of companies had halted their dividend payment, asked what impact the reduction of dividend payments would have on investment income for 2020-21.

Officers advised that there was no firm indication at this stage with respect to dividend payments for the year. Performance over the previous quarter has been reported back to the Investment Sub-Committee, and there were pressures currently on all assets allocations;

- Noted that the draft accounts had been published on website prior to 1st September 2020. The Annual report would be published by 1st December;
- Discussed performance after the final quarter, when performance had fallen away. In terms of liquidity, the Pension Fund's asset allocation remained highly liquid, but had been moving assets into more illiquid assets such as Alternatives recently. It was difficult to look at the assets in isolation, as investments are quite fluid, and reduced returns from investments was a very different situation to the Fund being 'cash flow negative', and there being a need to use funds that were invested to subsidise benefits. It was noted that the 'investment income' line could be quite misleading. The Member acknowledged this point, but commented that it was necessary to have contingency policies sorted out soon. Officers commented that whilst it had been a testing year in terms of extreme liquidity stress since March 2020, cash was still held on account and the Fund was not at risk;
- A Member suggested that it should be made clear that the equity protection and currency hedging, referenced in the Chairman's Forward, was for risk management purposes;
- In response to a Member query, it was clarified that the 'primary rate' was determined retrospectively by the actuary from all costs, including administration and consultancy;
- Observed that the annual pensioner payroll write off amount was 0.07% over the last four years, but this was a total of £200K;
- Despite reducing the allocation to equities over recent years, in 2019/20 it increased by 2%. It was suggested that there were various reasons, including the relative performance of asset classes, so if equities performed well compared to other assets, the proportion held would increase accordingly;
- Noted the investment return compared to LA universe indicated that the Fund's equities were better than LA universe;
- Councillor Shellens requested a colour version of chart showing the Fund's performance compared to benchmark returns and the average investment return achieved by the Local Authority Universe over 1, 3, 5 and 10 year periods. ACTION REQUIRED;

- Queried the reduction in Sterling in the Currencies section. Officers agreed to investigate and respond. ACTION REQUIRED;
- Queried the expectation of strong growth in 2021, in the light of the current Covid-19 situation. It was agreed that this statement needed to be revisited.

It was resolved unanimously to:

Approve the Draft Annual Report and notes the Statement of Accounts of the Pension Fund for the 2019-20 financial year.

216. EMPLOYER ADMISSIONS AND CESSATIONS REPORT

The Committee received a report on the admission of six admission bodies, and the cessation of twelve bodies. It was confirmed that none of the admission bodies were discretionary. There were no deficit payments required to be collected in relation to any of the cessations.

In response to a Member question, it was clarified that Peterborough Limited was a subsidiary of Peterborough City Council that had been set up as a trading arm.

It was resolved unanimously to:

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

- ABM Catering (x 3)
- Easy Clean Contractors
- Lunchtime Company Ltd
- Peterborough Limited

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

- ABM Catering (x2)
- Alliance in Partnership Ltd
- Aspens Ltd
- Caterlink
- Easy Clean Contractors (x2)
- Lunchtime Company Ltd (x3)
- Pabulum Ltd
- Visit Cambridge & Beyond

217. EXCLUSION OF PRESS AND PUBLIC

It was resolved 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).

218. STRATEGIC ASSET ALLOCATION – MULTI ASSET CREDIT

The Committee considered a report which recommended a change in the strategic asset allocation to Fixed Income (Multi Asset Credit) from 7% to 10% and the reduction in the allocation to Equities from 58% to 55%.

It was resolved unanimously to:

- 1) Notes the report;
- 2) Approves the increase in strategic allocation to Fixed Income (Multi Asset Credit) from 7% to 10% and the reduction in the allocation to Equities from 58% to 55%;
- 3) Instructs the Head of Pensions with the support of Mercer to take all practical steps to implement the decision.

219. ACCESS ASSET POOLING UPDATE

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

It was resolved to:

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

Action log from previous meetings

This log captures the actions from the Pension Fund Committee of the 9th October 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 12 November 2020.

Outstanding actions from 9th October 2020 meeting of the Pension Fund Committee

Item No.	Item	Action to be taken by	Issue	Action/Status
215	Pension Fund Annual Report and Statement of Accounts 2019-20	Ben Barlow	Councillor Shellens requested a colour version of chart showing the Fund's performance compared to benchmark returns and the average investment return achieved by the Local Authority Universe over 1, 3, 5 and 10 year periods.	Completed – email sent 9 th October 2020.
215	Pension Fund Annual Report and Statement of Accounts 2019-20	Ben Barlow	The reduction in Sterling in the Currencies section was queried. Officers agreed to investigate and respond	Completed – email sent 22 nd October 2020.

CAMBRIDGESHIRE PENSION FUND

PENSION FUND COMMITTEE

8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject: ADMINISTRATION PERFORMANCE REPORT

Purpose of the Report: To present the Administration Performance Report to the Pension Fund Committee

Recommendations: The Pension Fund Committee are asked to note the Administration Performance Report

Enquiries to: Joanne Walton, Governance and Regulations Manager
jwalton@northamptonshire.gov.uk

1. Background

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

2. Key Performance Indicators – LGSS Pensions

- 2.1 The Pension Fund Committee has previously agreed a set of key performance indicators (KPIs) to assess the performance of LGSS Pensions.
- 2.2 Full KPI details for the period 1st September 2020 to 31st October 2020 can be found in appendix 1.
- 2.3 The appendix provides details of any Red or material Amber performance breaches.

3. Receipt of Employee and Employer Contributions

- 3.1 Employers in the Fund have a statutory obligation to arrange for the correct deduction of employee and employer contributions and to ensure payment reaches the Pension Fund by the 19th of the month following the month of deduction. Providing an associated monthly statement/schedule in a format acceptable to the Administering Authority.
- 3.2 The table in appendix 2 shows the percentage of employers in the Cambridgeshire Pension Fund who paid their employee and employer contributions and/or submitted their schedules on time or late for the period 1st October 2019 to 30th September 2020.
- 3.3 Details of late paying employers for August and September 2020 can be found in the private and confidential appendix (appendix 3) of the report.

4. Breaches of the Law

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

4.2 For the period 1st September to 31st October 2020, the following breaches occurred:

Type of Breach	Detail of Breach	Course of action
Material Breaches	None	None
Non Material Breaches	3 refund of pension contribution payments were claimed by and paid to members outside of the statutory 5-year period.	No further action at this stage, it is likely that the legislation surrounding this will be amended to remove the 5 year requirement.

5. Internal Dispute Resolution Procedure

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

5.2 In the period 1st September to 31st October 2020 the following activity occurred:

Nature of dispute	Stage 1 (The Head of Pensions)	Stage 2 (Cambridgeshire County Council Monitoring Officer)
Transferred out to an occupational pension scheme in 2012 and would now like to be reinstated back into the LGPS (received 13 July 2020)	Not upheld (11 September 2020)	Received 9 October 2020. Decision due 8 December 2020.
Tier 1 ill health estimate of benefits over-stated compared with final benefits payable (received 13 July 2020)	Partially upheld (25 September 2020)	Received 6 October 2020. Decision due 5 December 2020.

6. LGSS Business Transition

- 6.1 A review was commissioned to examine the LGSS operating model in light of the changing demands of each partner council and the available financial investment for the future. As a result, the sharing of services between Cambridgeshire, Milton Keynes and Northamptonshire is changing, with some services repatriated and other services continuing on a shared service basis under a more traditional lead authority model.
- 6.2 The Pensions Service will continue to provide shared services administration to both the Cambridgeshire and Northamptonshire Funds. This will be on a lead authority basis with effect from 1 December 2020. The Pensions Service will be managed within the Finance directorate whilst Northamptonshire County Council is still an entity, with a shared service arrangement continuing post unitary vesting day as per the Future Northamptonshire Blueprint design.
- 6.3 From 1st April 2021, the lead authority for the Pensions Service will change from Northamptonshire County Council to West Northamptonshire and the shared service provision will continue uninterrupted.

7. Relevant Pension Fund Objectives

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

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

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

Continually monitor and measure clearly articulated objectives through business planning *Objective 4*

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

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

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

8. Risk Management

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

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

- 8.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: [Risk Register Hyperlink](#)

9. Communication Implications

[Direct communications](#): The Fund publishes performance against the key performance indicators in the regular reports to the Pension Fund Committee and Pension Fund Board and in the Fund's Annual Report.

10. Finance & Resources Implications

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

11. Legal Implications

- 11.1 Not applicable

12. Consultation with Key Advisers

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

13. Alternative Options Considered

- 13.1 Not applicable

14. Background Papers

- 14.1 Not applicable

15. Appendices

- 15.2 Appendix 1 Key Performance Indicators – LGSS Pensions
- 15.3 Appendix 2 Receipt of Employee and Employer Contributions
- 15.4 Appendix 3 Late payments of employee and employer contributions (private and confidential)

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 – 23rd November 2020.

Has this report been cleared by Head of Pensions Mark Whitby – 10th November 2020.

Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 23rd November 2020.

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

Appendix 1 - Key Performance Indicators – LGSS Pensions September and October 2020

Function/Task	Indicator	Target	Completed	Within Target	Over Target	% Within Target	RAG	Comments
Notify leavers of deferred benefit entitlement	Notify leavers of deferred benefit entitlements or concurrent amalgamation within 15 working days of receiving all relevant information.	90%	September: 205 October:194	191 174	14 20	93 89	Green Amber	SLA target met SLA target not met
Payment of retirement benefits from active employment	Notify employees retiring from active membership of benefits award, from date payable or date of receiving all necessary information if later within 5 working days.	95%	September:29 October:43	18 38	11 5	62 88	Red Amber	SLA target not met* SLA target not met*
Payment of pension benefits from deferred membership status	Notify members retiring from deferred membership status of benefits award, from date payable or date of receiving all necessary information if later within 10 working days.	90%	September:47 October:56	39 38	8 18	83 68	Amber Red	SLA target not met** SLA target not met**
Award dependant benefits – Statutory	Issue award within 5 working days of receiving all necessary information.	95%	September:33 October:37	31 35	2 2	94 94	Green Amber	SLA target met SLA target not met
Provide a maximum of one estimate of benefits to employees per year on request – Statutory	Estimate in agreed format provided within 10 working days from receipt of all information.	90%	September:46 October:48	38 47	8 1	82 98	Amber Green	SLA target not met*** SLA target met
Provide transfer-in quote to scheme member – Statutory	Letter issued within 10 working days of receipt of all appropriate information.	95%	September:24 October:62	24 61	0 1	100 98	Green Green	SLA target met SLA target met
Payment of transfer out – Statutory	Process transfer out payment – letter issued within 10 working days of receipt of all information needed to calculate transfer out payment.	90%	September: 7 October:5	7 5	0 0	100 100	Green Green	SLA target met SLA target met

* Payment of retirement benefits from active employment – In September the Pensions Service lost 3 consecutive working days due to corporate network and then Altair system downtime. These separate incidents have since been resolved. In October this area of casework was not appropriately prioritised. Team leaders will monitor closely to ensure cases are prioritised and processed efficiently going forward.

** Payment of pension benefits from deferred membership status – The same issues as above contributed to the performance breaches for this area of casework.

*** Provide a maximum of one estimate of benefits to employees per year on request – For September the network/system issues impacted output in this area as with above.

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

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

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

Appendix 2 - Receipt of Employee and Employer Contributions

Month/Year	% of Employers Paid on Time	% of Employers Paid Late	% of Employers that Submitted Schedule on Time	% of Employers that Submitted Schedule Late
October 2019	100	0	96.9	3.1
November 2019	99.8	0.2	100	0
December 2019	97.1	2.9	97.1	2.9
January 2020	98.7	1.3	98.7	1.3
February 2020	96.6	3.4	96.7	3.3
March 2020	99.8	0.2	100	0
April 2020	99.6	0.4	99.3	0.7
May 2020	100	0	100	0
June 2020	99.5	0.5	99.3	0.7
July 2020	99.3	0.7	100	0
August 2020	99.6	0.4	99.6	0.4
September 2020	99.8	0.2	99.8	0.2
Average for period	99.0	1.0	99.0	1.0

CAMBRIDGESHIRE PENSION FUND

PENSION FUND COMMITTEE

DATE: 8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject:	Pension Fund Annual Business Plan Update report 2020/21
Purpose of the Report:	To present the Business Plan Update for the period 1 st September to 31 st October 2020.
Recommendations	The Pension Fund Committee is asked to note the Business Plan Update to 31 st October 2020.
Enquiries to:	Mark Whitby, Head of Pensions mwhitby@northamptonshire.gov.uk

1. Background

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

2. Variances against the forecast of investments and administration expenses

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

3. Key Pension Fund Activities

- 3.1 Service Delivery (SD)

Reference	Key action/task	2020/21				Medium term	
		Q1	Q2	Q3	Q4	2021/22	2022/23
SD1	Undertake a review of the Business Continuity Plan	✓	✓	✓	✓	✓	
SD2	Undertake an analysis of the risks faced by the Fund as a result of cyber-crime and out in place appropriate mitigations		✓	✓	✓	✓	
SD5	Re-tender/extend contract for mortality screening and address tracing services			✓	✓	✓	

3.1.1 SD1 - Undertake a review of the Business Continuity Plan

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

Update: A rapid review of the BCP was undertaken shortly before the start of the pandemic to ensure arrangements were in place for staff to work remotely; the pandemic then causing the more in-depth review to be postponed. The milestones for this activity have now been re-profiled to take into account the postponement and to tie in with the transition of the Pensions Service to West Northamptonshire Council on 1 April 2021. The milestones below have been amended to reflect this.

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

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

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

Update: The Fund has received information on practices surrounding cyber-crime from Hymans Robertson, the Fund Actuary, and Aquila Heywood, our software provider, to provide assurance over the efforts to minimise the risk and impact of a cyber-attack. Officers have also undertaken mandatory online cyber security training under the Northamptonshire County Council corporate training plan. Unfortunately, due to other priorities created by an intensive period of regulatory change, the analysis has not been fully completed and specialist advice has not been able to be taken. As a result, the implementation of the action plan from February 2021 is likely to be delayed until later in the year.

The next step is to liaise with Northamptonshire County Council over their arrangements to reduce the risk and impact from cyber-crime and take specialist advice to develop an action plan. As a result, we have redefined the actions in this business plan activity and re-profiled the timeline accordingly.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Ensure officers undertake mandatory cyber Security training	July – September 2020	Completed.
Investigate current security and other measures implemented by Northamptonshire County Council and key partners designed to mitigate cyber-crime	July – September 2020	Amber– partially completed with remaining activity to be carried out from October to December 2020.
Complete cyber score card self-assessment	October to December 2021	Green – on target
Obtain specialist advice in connection with cyber-crime to assist with the development of an action plan	January to March 2021	Green - on target
Implement action plan	From April 2021	Green – on target

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

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

Update: Consideration has been given to the future of both contracts. With the agreement of the Pension Fund Committee, Officers would like to extend the contract for mortality screening services for a further two years as this is delivering to a satisfactory standard the desired outcomes. With regards to the address tracing contract more time is required to examine the market for a more effective method to achieve ad-hoc tracing requirements as opposed to large scale tracing as this did not produce results to the required standards of confidence and accuracy. As such, the key milestones have been updated accordingly.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Decision to procure or extend mortality screening contract	December 2020	Green

Decision to procure or extend address tracing contract March 2021 Green

Initiate relevant decisions April 2021 Green

3.2 Governance and compliance (GC)

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

3.2.1 GC1 Complete the Guaranteed Minimum Pension Rectification

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

Update: Due to HMRC not delivering the final set of data until July and that data set containing errors, ITM have not been able to deliver data for the records that require rectification until November 2020. As such the subsequent key milestones have been amended to reflect this delay. At this stage the overall project is still expected to complete by December 2021.

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

3.3 Communications, Systems and Employer Management (CSEM)

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

3.3.1 CSEM1 – Undertake a digital strategy review

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

Update: The roll out of monthly employer data collection has been progressing well. All new employers admitted into the Fund are instructed that data must be provided monthly and i-Connect is the only option provided to them. Out of 525 employer entities, 495 are now providing data monthly covering 93% of active member records. There are 30 employer entities remaining to be converted to monthly data provision and we continue to work with those employers.

An accessibility review of the Fund's scheme employer website was undertaken by Shaw Trust. The website was assessed as meeting 75% of the success criteria for level AA conformance, but only 44% of the success criteria for level A conformance. The majority of areas where the website failed to meet the criteria are straightforward to correct and an improvement plan was agreed with the Northamptonshire County Council Digital team, which supports the scheme employer website and, at the time of writing, stage 1 of the improvement work is expected to be completed by 7 December. Officers are speaking to Aquila Heywood who host the scheme member website regarding improvements needed on their platform.

Following pressures from the pandemic, a number of digital improvements have been accelerated with more electronic communication taking place with members and some processes becoming more reliant on digital solutions in whole or part. Given these pressures and other priorities as a result of recent legislative announcements, a plan for further improvements has not yet been developed and this work has been rescheduled for completion by March 2021.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Complete roll out of monthly employer data collection	2020/21	Green - on target
Undertake website accessibility review	April to October 2020	Completed
Formulate digital processing plan	June to December 2020	Amber – rescheduled to between January and March 2021
Investigate the feasibility of using e-forms	April to December 2020	Completed

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

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

Update: A standardised data collection template has been received from the Local Government Association and officers are currently in the process of investigating what data analysis, if any, can be carried out to help focus our data collection activities. This includes discussions with the Fund software provider Aquila Heywood over what tools will be available to assist with this analysis.

<u>Key milestones</u>	<u>Due for completion</u>	<u>Status</u>
Develop requirements and plan for data collection activities	October 2020 to March 2021	Green – on target

3.3.3 CSEM4 – Implement multiple investment strategies

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

Update: A report is being presented to the Committee during this meeting that will cover the progress to date. Key milestones have been updated and this is in response to the initial discussions with the Fund Actuary. It has been identified that it would be prudent to undertake additional modelling to assess the impact of multiple investment strategies, increasing the costs of this project. The report presented to the Committee today will seek approval for the next stages, including approval of additional costs.

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

3.4 Operations (OPS)

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

3.4.1 OPS1 – Resolution of undecided leavers

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

As at April 2020 the number of unprocessed leavers had reduced from 11,082 to 9,636 inclusive of BAU (business as usual) volumes. The target for 2020-21 was to reduce the number of unprocessed leavers to approximately 5,000 cases by 31 March 2021 and then down to circa 3,000 cases (assumed BAU volume) during 2021-22.

Update: The number of unprocessed leavers have slightly increased during the year from 9,636 to 10,127 as at October 2020. This, however, includes BAU volumes and, in particular, the end of August spike due to leavers from educational establishments; a temporary system fault with regards to auto-aggregation functionality means these and other leavers have not recently been able to be processed as quickly as normal. As a result of these factors and the other pressures resulting from the impact of the pandemic, it is proposed that a more realistic target for the remainder of the scheme year is to reduce total cases, including BAU volumes, to 7,500.

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

3.4.2 OPS2 – Scope and conduct potential liability reduction exercises

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

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

Update: The reduction exercise is currently progressing with the team issuing refund options to our members. As of October 2020 1,153 (17%) out of 6,928 members had been contacted and been given the opportunity to claim a frozen refund. 373 members had requested and received a refund.

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

3.5 Investments and fund accountancy (INV)

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

3.5.1 INV1 – Implement strategic allocation to fixed income

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

Update: In October 2020 the Pension Fund Committee approved an increase in strategic allocation for Multi Asset Credit from 7% to 10% which has been implemented with additional investments with BlueBay and M & G completed on 2nd November 2020.

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

3.5.2 INV2 - Re-tender for investment consultancy services

Action: The investment consultancy contract with Mercer LLC was extended in September 2017 for three years to 30 September 2020 and requires re-tendering in 2020/21 through the National LGPS Frameworks. 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 milestones 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.

Update: A paper was presented to the November ISC setting out a timetable for the re-tender selection process to be substantially complete by April 2021. The ISC approved the timetable and proposed contract term for the Consultancy re-tender and approved the launch of a concurrent re-tender for the Investment Management Performance Reporting contract currently provided by Mercer.

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

3.5.3 INV3 - Continue development of the asset pool

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

Update: There have been a number of issues which have delayed the launches of some of liquid asset sub-funds: availability of resources in partnering Authorities; the need for Link to procure adequate insurance cover necessary to cover the additional funds under management arising from the launch of additional sub-funds; and the need for the ACS Depositary, Northern Trust, to complete a software update to ensure compliance with regulatory Authorities. These issues are now resolved with remaining sub-fund launched planned from November 2020 to March 2021.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Liquid Assets – Complete remaining Tranches as they arise	June 2020	Amber - delayed to March 2021

Liquid Assets – Support the establishment Of an Emerging Markets equities sub fund	March 2021	Green
Illiquid Assets – Continue to support the Illiquid asset pooling solution	2020/21 to 2021/22	Green

3.5.4 INV5- Reviews the Fund's Responsible Investment Policy

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

Due to the coronavirus pandemic the training will be provided remotely via suitable media applications to maintain momentum.

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.

Update: Revised investment beliefs have been drafted and a revised Responsible Investment policy is under development and will be presented to the ISC in February 2021.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Production of ESG and Carbon foot-printing Benchmarking report	May 2020	Completed
Deliver responsible Investment Training (Information Day)	July 2020	Completed
Undertake Responsible Investment beliefs Survey	July 2020	Completed
Develop Responsible Investment Policy	August to December 2020	Green – on target
Incorporate Responsible Investment Policy Into Investment Strategy	Jan- Feb 2021	Green
Approval of ISS incorporating RI policy	March 21	Green
Consultation on revised Investment Strategy	April 2021 to June 2021	Green

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

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

Update: Responses to the tender for becoming a Framework provider have been received and will be evaluated during early December.

<u>Key milestones</u>	<u>Due for Completion</u>	<u>Status</u>
Work with other LGPS funds to create a framework	April 2020 to January 2021	Green - ongoing
Work with ACCESS partners to call off a common custodian	December 2020 to June 2021	Green
Complete transition to the new Custodian (if required)	July 2021 to September 2021	Green

4. Relevant Fund objectives

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

5. Risk Management

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

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

- 5.3 A full version of the Fund risk register can be found at the following link – [Risk Register Hyperlink](#)

6. Communication Implications

Direct Communications: The Business Plan Update will be presented to the Pension Fund Committee at each meeting.

7. Finance & Resources Implications

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

8. Legal Implications

8.1 Not applicable

9. Consultation with Key Advisers

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

10. Alternative Options Considered

10.1 Not applicable

11. Background Papers

11.1 Annual Business Plan and Medium Term Strategy 2020/21 – [Annual Business Plan Hyperlink](#)

12. Appendices

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

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

Checklist of Key Approvals

Has this report been cleared by the Head of Pensions? Mark Whitby – 12th November 2020

Has this report been cleared by the Section 151 Officer / Director of Finance? Sarah Heywood – 23rd November 2020

Has the Chairman of the Pension Fund Board been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

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

Service delivery

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

Governance and Compliance

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

Communications, Systems and Employer Management

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

Operations

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

Investments

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

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

Fund Account	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Contributions	130,000	130,000	-	
Transfers in from other pension funds	5,200	5,200	-	
Total income	135,200	135,200	-	
Benefits payable	(114,000)	(114,000)	-	
Payments to and on account of leavers	(10,200)	(10,200)	-	
Total Payments	(124,200)	(124,200)	-	
	11,000	11,000	-	
Management Expenses	(5,149)	(5,226)	77	See analysis below.
Total income less expenditure	5,851	5,774	77	
Investment income	40,000	28,000	-12,000	30% income decline. Average estimated by investment managers.
Taxes on income	-	-	-	
Profit and (losses) on disposal of investments and changes in the market value of investments	69,000	69,000	-	
Net return on investments	109,000	97,000	-12,000	
Net increase/(decrease) in the net assets available for benefits during the year	114,851	102,774	-11,923	

Management Expenses	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Total Administration Expenses	-2,644	-2,740	96	See analysis below.
Total Governance Expenses	-784	-765	-19	Decrease in Cllr training and hire of facilities due to COVID 19
Total Investment Invoiced Expenses	-1,721	-1,721	-	
Total Management Expenses	-5,149	-5,226	77	

Administration Expenses Analysis	2020-21 Estimate	2020-21 Forecast	Variance	Comments
	£000	£000	£000	
Staff Related	-1,423	-1,519	96	Vacancy factor lower than forecast due to COVID-19 plus the addition of one Pension Officer within Service. There has been a reduction in agency cost and staff training costs.
Altair System and payroll system	-336	-355	19	Additional internal software licensing costs
Data Improvement Projects	-313	-327	14	Additional software licensing costs for third party project activity
Communications	-71	-66	-5	
Other Non-Pay and Income	-16	12	-28	Income currently higher than expenditure
County Council Overhead Recovery	-485	-485	-	
Total Administration Expenses	-2,644	-2,740	96	

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

Cambridgeshire Pension Fund

PENSION FUND COMMITTEE

8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject: Governance and Compliance Report

Purpose of the Report: To provide the Pension Fund Committee with information on:
1) The activities of the Scheme Advisory Board in connection with the Public Sector Exit Cap and associated legislative changes and consultations (section 2 and appendix 1)
2) The activities of the Pensions Regulator (section 3)
3) Skills and knowledge opportunities (section 4) and appendix 2.

Recommendations That the Pension Fund Committee notes the content of the report.

Enquiries to: Jo Walton – Governance and Regulations Manager
E-mail: jwalton@northamptonshire.gov.uk

1. Background

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

2. Public Sector Exit Cap

- 2.1 The government first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019 HM Treasury launched a consultation on the draft regulations, guidance and Directions to implement the cap. HM Treasury published its response to the consultation on 21 July 2020. The Restriction of Public Sector Exit Payment Regulations 2020 were signed on 20 October 2020 and effective from 4 November 2020 and apply to all the public service employers as detailed on the schedule in the Regulations.
- 2.2 The exit payment cap is set at a total of £95,000 with no provision for this amount to be index linked. Exit payments must include redundancy payments (including statutory redundancy, severance payments, pension strain costs which arise when a LGPS pension is paid unreduced before a member's normal pension age and other such payments made as a consequence of termination of employment).
- 2.3 The amount of an individual's statutory redundancy payment cannot be reduced. If the cap is exceeded by other elements of the total exit payment package, those other elements must be reduced to achieve an exit payment of £95,000 or less.

- 2.4 There are circumstances when the cap must or may be relaxed by a minister or the authority. However, this is likely to be only subject to consent by HM Treasury even if it is passed by full Council. Employers are required to record and publish information about any decisions made to relax the cap.
- 2.5 An individual that receives an exit payment must inform any other public body that employs them about that payment. An employer must ensure that any exit payment does not exceed the cap (unless permitted by the relaxation Directions) and, where a non-compliant payment is made, recover any overpayment subject to a value for money assessment.
- 2.6 On 7 September 2020, the Ministry of Housing, Communities and Local Government (MHCLG) released a consultation on the proposals on reforming local government exit pay. The consultation specifically affects individuals who are eligible to be members of the LGPS (in England). The consultation closed on 9 November 2020. The administering authority's consultation response can be found in appendix 1.
- 2.7 The consultation's main proposals were as follows:
1. A maximum tariff for the calculation of exit payments of 3 weeks' pay per year of service.
 2. A ceiling of 15 months/66 weeks that can be paid as redundancy compensation payment.
 3. A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed annually using an appropriate mechanism (such as the consumer price index).
 4. For members of the LGPS who are at least 55 when made redundant the benefits and associated strain cost due from the employer should be limited as follows:
 - The strain cost cannot exceed the overall cap contained in the exit payment regulations (£95k)
 - Strain cost will be further reduced by the value of any statutory redundancy payment required (which the employee will still receive as a cash payment)
 - A further reduction would be made to reflect any voluntary payments made to cover a grant of additional pension (regulation 31 of the LGPS Regulations 2013)
 - Any reduction in the strain cost due to the above limitations may be made up by the employee from their own resources
 - The member will receive an actuarially adjusted pension benefit in line with revised strain cost under these provisions.
- 2.8 The options available for members being made redundant over the age of 55 would be to choose which one of the elements they want to give up:
- Give up any entitlement to a discretionary redundancy payment, and pay a sum equivalent to their statutory redundancy payment to the pension fund if they want full pension paid immediately,
 - Give up any entitlement to a discretionary redundancy payment plus some pension (ie it is partially reduced) if they want it paid immediately and to also retain the statutory redundancy payment,
 - Give up immediate payment of pension (ie have full pension deferred to normal pension age) and also retain the statutory redundancy payment and any entitlement to a discretionary redundancy payment

- 2.9 On the 14th October, MHCLG began a consultation on the draft Local Government Pension Scheme (Restriction of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payments) (England and Wales) Regulations 2020 which would enable LGPS Funds to process redundancy retirement benefits in accordance with the intention of the Restriction of Public Sector Exit Payment Regulations 2020.
- 2.10 Without these amended LGPS Regulations it is currently not possible to award a scheme member a deferred benefit or a reduced immediate pension on the grounds of redundancy at the age of 55+. The consultation on the draft Regulations closes on 18 December 2020 and it is unlikely that these Regulations will be in force until mid-late January 2021 at the earliest.
- 2.11 On 30 October, following a view from QC James Goudie, the Scheme Advisory Board published their view on how administering authorities should proceed between the period of the 4 November until the LGPS Regulations are in place. The advice was that the administering authority should offer members a deferred benefit or fully actuarially reduced pension and for the scheme employer to delay the payment of a cash alternative (up to £95K). This would provide maximum flexibility for both administering authority and the scheme employer to minimise the financial risk resulting from inevitable challenge from the scheme member denied what appears to be their right to an unreduced pension under existing LGPS Regulations.
- 2.12 On 28 October, MHCLG issued a letter detailing their view on how Funds should proceed in this interim period which differed to that issued by the Scheme Advisory Board on the matter of the alternative cash payment made by the scheme employer. MHCLG believe the scheme employer should pay the cash alternative of capped strain cost minus statutory and discretionary redundancy pay as they believe the Exit Cap regulations effectively already prevent an immediate pension being payable without reduction when the £95K cap is breached.
- 2.13 Officers are in the process of seeking independent legal advice from Squire Patton Boggs. A verbal update on the advice received will be provided at this meeting. This advice is being obtained alongside other ACCESS funds to ensure consistency of approach.
- 2.14 The administering authority's response to the consultation on the LGPS Regulations will be shared with the Chairman and Vice-Chairman of the Pension Committee prior to submission to MHCLG.

3. Activities of the Pensions Regulator

- 3.1 On 3 November, the Pensions Regulator issued the annual mandatory scheme return. The deadline for completion of the return is 15 December 2020. Failing to submit the return on time would be a breach of section 64 of the Pensions Act 2004 and a penalty of up to £50,000 could be levied.
- 3.2 The scheme return also asks for the Fund's common and scheme specific data scores. At the time of writing these scores are in the process of being produced and will be verbally notified to the Pension Committee at this meeting.

4. Skills and knowledge opportunities – training events

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

- 4.2 In order to facilitate the acquisition of skills and knowledge for members of the Pension Fund Board appendix 2 lists the main events that are deemed useful and appropriate.
- 4.3 Requests to attend events will be facilitated by the Governance Team. It may be necessary to restrict numbers of attendees on some courses through reasons of cost.
- 4.4 It should be noted that the schedule of events in appendix 2 details only the events that are known to be taking place during the pandemic and are virtual/online events only. As soon confirmation is received that face-to-face events are able to be held an amended schedule of events will be issued.

5. 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. *Objective 1*

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. *Objective 2*

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. *Objective 3*

To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate. *Objective 5*

6. Risk Management

- 6.1 The Pension Fund Committee are required to have the appropriate skills and knowledge to effectively carry out their duties. This report ensures that the Pension Fund Committee is up to date with:
- New or amending legislation affecting the LGPS;
 - Relevant activities of the LGPS Scheme Advisory Board and the Pensions Regulator that concern the governance of the (LGPS) on a national and local basis; and
 - Skills and knowledge opportunities.
- 6.2 The risks associated with the Pension Fund Committee not having the required level of knowledge and understanding have been captured in the Fund's risk register as detailed below.

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

- 6.3 The Fund's risk register can be found on the LGSS Pensions website at the following link: [Risk Register Hyperlink](#)

7. Finance & Resources Implications

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

8. Communication Implications

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

Employers: All relevant items are communicated to scheme employers via website updates.

9. Legal Implications

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

10. Consultation with Key Advisers

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

11. Alternative Options Considered

- 11.1 There are no alternative options to be considered.

12. Background Papers

- 12.1 Not applicable.

13. Appendices

- 13.1 Appendix 1 – Cambridgeshire County Council's response to the MHCLG consultation on reforming local government exit payments
13.2 Appendix 2 – Schedule of virtual training events.

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 – 23rd November 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 09/11/2020

Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

Reference: CPFExitPRCR
Date: 09 November 2020
Contact: Mark Whitby
Email: mwhitby@northamptonshire.gov.uk
Direct dial: 07990 556197

Cambridgeshire Pension Fund
One Angel Square
4 Angel Street
Northampton
NN1 1ED

Exit Pay Consultation
Local Government Workforce and Pay Team,
Ministry for Housing, Communities and Local
Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sir/Madam,

Consultation Response – Reforming Local Government Exit Pay

With reference to the consultation launched on 7 September 2020 this response represents the views of the administering authority, Cambridgeshire County Council, in respect of Cambridgeshire Pension Fund.

There has been considerable confusion and uncertainty introduced by:

- a) The timing of The Restriction of Public Sector Exit Payments Regulations 2020 coming into force,
- b) The MHCLG Consultation on Exit Payment Cap covering a wider reform agenda than was initially anticipated, and
- c) The MHCLG Consultation document initially being issued with neither the associated draft regulations nor supporting GAD Guidance.

The regulations and GAD Guidance both being issued in draft form more than 5 weeks in to the 9 week consultation period has seriously compromised the ability to properly consider the actual arrangements that would be required to implement the proposals. The quality of the drafts would also suggest that these documents were still in actual fact 'works in progress' and their release had been somewhat rushed.

It is welcome that the deadline for comments on the draft regulations, and presumably the draft GAD guidance, has been extended to 18 December although this may extend the period of 'limbo' within which employing authorities and administering authorities will be subject to legal challenge as a result of the conflict between the existing LGPS Regulations 2013 and The Restriction of Public Sector Exit Payments Regulations 2020 bringing into force the £95k exit payment cap legislated for in the Small Business, Enterprise and Employment Act 2015 from 4 November 2020.

The 12 specific questions posed within the consultation document are reproduced below. Comments have been included where considered appropriate.

1. Are there any groups of local government employees that would be more adversely affected than others by our proposed action on employer funded early access to pension? - If so, please provide data/evidence to back up your views? - How would you mitigate the impact on these employees?

No comment from an administering authority perspective.

2. What is the most appropriate mechanism or index when considering how the maximum salary might be reviewed on an annual basis?

An earnings related link would seem more appropriate than a prices related one, so rather than RPI or CPI a link to either Average Weekly Earnings or the award agreed under National Joint Council for Local Government Services should be considered.

Given that the £80,000 maximum salary referenced appears to stem from the NHS 'Agenda For Change' Agreement introduced in April 2015 it should arguably be uplifted at introduction relative to increases in the last 5+ years, or in the last 4+ years since it was referenced in the September 2016 Government's response to the consultation on Reforms to public sector exit payments.

3. Are there any groups of local government employees that would be more adversely affected than others by our proposed ceiling of 15 months or 66 weeks as the maximum number of months' or weeks salary that can be paid as a redundancy payment? - If so, please provide data/evidence to back up your views? - How would you mitigate the impact on these employees?

While making no comment from an administering authority perspective on the specific question regarding employees that would be more adversely affected, there does appear to be an issue with the proposed calculation methodology making the '15 months' ceiling option effectively unachievable and therefore meaningless.

Paragraph 13 of Part 2 of Schedule 9 to The Equality Act 2010 sets out conditions for the calculation of enhanced redundancy payments that would be automatically exempt from being considered to be age discriminatory without requiring objective justification. These conditions require that the calculation methodology mirror that used to determine statutory redundancy payments under the Employment Rights Act 1996, but with specific adjustments permitted under subparagraphs 13(5) and (6) of the 2010 Act.

It would appear that the "maximum tariff for calculating exit payments of three weeks' pay per year of service" proposed in 4.3 a) of the consultation is seeking to use the permitted adjustment under subparagraph 13(5)(c) of the 2010 Act ("may multiply the appropriate amount for each year of employment by a figure of more than one") however, since years of employment here would be limited to twenty under the 1996 Act, this would result in the redundancy payment only being able to be enhanced to

the equivalent of a maximum total of 60 weeks' pay, 6 weeks' pay less than the "ceiling of 15 months (66 weeks)" mentioned in 4.3 b) of the consultation.
A multiplier of more than three is permitted under subparagraph 13(5)(d) however this is not linked to years of service/employment.

In the draft Local Government Pension Scheme (Restriction of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payments) (England and Wales) Regulations 2020 Regulation 9 (Discretionary Compensation) states in subparagraph (4):

*"The amount of compensation must not exceed whichever is the lower of—
(a) 3 weeks' maximum pay per year of continuous service under the 1996 Act; or
(b) 15 months' maximum pay."*

The limit in subparagraph (b) can never be greater than that in (a), since (b) will always be no more than 60 weeks' pay for the reason given above.

Clarification is therefore required over what the **actual** intention of the proposal is, and the draft Regulations should be corrected to appropriately reflect this.

4. Are there any groups of local government employees that would be more adversely affected than others by our proposal to put in place a maximum salary of £80,000 on which an exit payment can be based? - If so, please provide data/evidence to back up your views? - How would you mitigate the impact on these employees?

No comment from an administering authority perspective.

5. Do you agree with these proposals? If not, how else can the Government's policy objectives on exit pay be delivered for local government workers?

The positioning of this question indicates that it relates to the proposals set out in paragraphs 4.4 to 4.13 of the consultation document.

The proposals as expressed in the consultation document do appear to deliver the Government's stated intentions and it is recognised that, as stated in paragraph 2.7, the consultation is not seeking views or representations on the government's position regarding exit pay reform.

6. Do you agree that the further option identified at paragraph 4.8 should be offered?

Given the significant changes that curbing the strain cost aspect of a member's exit package may have, introducing an option whereby that member is not compelled to take immediate payment of pension benefits that are subject to early payment reductions is welcome.

What is difficult to comprehend, however, is that after the proposals as set out are implemented there is potential for a significant difference in cost to employing

authorities for an individual member who would not come close to being impacted by the £95k Cap depending on whether they choose to:

- elect for immediate payment of unreduced benefits (or benefits subject to a partial reduction due to a SRP not being used by the member to 'buy out' that reduction), rather than
- an award of either deferred benefits or payment of fully reduced plus a discretionary severance payment,

i.e. there may be a significant difference between the strain cost payable to the appropriate fund on the one hand and the discretionary severance payment that would be payable to the member on the other.

The complex nature of the options available to members and the rather convoluted election and payment processes and timescales envisaged in the draft regulations would require careful liaison between employing and administering authorities alongside clear communication between each of them and the member.

There seems a very real risk of members claiming at some point after the event:

- to have "made the wrong decision",
- not to have been able to make the "right decision" within the timescale provided, or
- to have been provided with incomplete or misleading information.

7. Are there any groups of local government employees that would be more adversely affected than others by our proposals?

The proposals will adversely affect all employees over the age of 55 in the LGPS. Those with long service will be particularly affected because of the interrelationship between strain on pension fund payments and other discretionary and statutory redundancy payments.

The majority of employees in local government roles are women and many will be at the lower ranges of pay. The proposals will affect all salary ranges as the GAD impact assessment illustrates. They will have a greater effect in purely financial terms on longer serving higher earners, but may have a more significant impact on lower paid workers (and so women and part-time workers) who may have greater need for a financial cushion upon their employment being terminated.

8. From a local government perspective, are there any impacts not covered at Section 5 (Impact Analysis), which you would highlight in relation to the proposals and/or process above?

No comment from an administering authority perspective.

9. Are these transparency arrangements suitably robust? If not, how could the current arrangements be improved?

It is assumed that the existing arrangements are deemed suitably robust and effective. Having said this, paragraph 5.8 of the consultation gives the impression that "each local authority is required to have its own policy on the abatement of pension benefits when people in receipt of a local government pension are reemployed in local

government”, when the policy in the LGPS is actually at administering authority level rather than employing authority level. In addition, benefits earned in schemes reformed under the Public Service Pensions Act 2013 are not subject to abatement.

10. Would any transitional arrangements be useful in helping to smooth the introduction of these arrangements?

An appropriate lead time should be built in to the reforms to allow for these to be implemented effectively, particularly in light of the variety of options that seem to be being proposed and the associated timelines linked to these within the draft regulations. A period of 6 months may be appropriate from an administering authority perspective, but it may be that a longer period would be required by employing authorities in order to accommodate the consultation timeframes involved in major workforce restructuring.

11. Is there any other information specific to the proposals set out in this consultation, which is not covered above which may be relevant to these reforms?

Although we will take the opportunity to continue to reflect on the draft regulations and GAD guidance and may therefore submit a further response in relation to these within the revised deadline of 18 December, it was considered that it might be useful to have preliminary comments regarding these draft documents and these are shown below:

Draft GAD Guidance

- In paragraph 2.5:
 - the word “**less**” in the following sentence should be “**more**”:
“If the member’s statutory redundancy pay is **less more** than the pension strain then the excess can be paid as a cash benefit, up to the £95,000 cap.”, and
 - In the following sentence, “less than” should be “less than or equal to” so it would read:
“If the member’s discretionary severance pay is less than **or equal to** the value of the strain cost, no further payment is made”.
- In the Summary box in Section 3 Overview of process, in Step 2 “**LESS**” should be “**NOT GREATER**”, so the first bullet point reads “If pension strain is **LESS NOT GREATER** than £95,000, there is no breach of £95,000 cap”.
- In paragraph 4.11 in the description of “ERF table 1”, the reference to “**pre-2014** pension” should be to “**post-2014** pension”.
- In paragraph 5.2, the heading of the table (in the second row) rather than reading “less than (<)” should read “less than **or equal to (≤)**”.
- In paragraph 6.5 “less” should be “not greater” in the sentence “The pension strain is **less not greater** than £95,000, therefore, the member does not breach the £95,000 exit payment cap”.
- In paragraph 6.17 (Example 3 Option 3) the reference to “Immediate reduced **benefits pa**” should be to “immediate reduced **retirement grant**”.
- The assumption throughout the guidance appears to be that a statutory redundancy payment (SRP) will not *physically* be paid to a member, however that is not our understanding of how the process would be required to work; SRP will continue to be paid to the member by the employing authority but,

depending the benefit option choice made by the member, that member may then elect to offset the actuarial reduction resulting from the impact of the SRP on the strain cost by making a payment to the pension fund. References to “a cash payment” or “a cash top up” in relation to SRP therefore seem inappropriate since this suggests a further payment being made to the member when, in fact, the member will be paid the SRP in full and would be deciding whether to ‘buy out’ the actuarial reduction resulting from the SRP.

- As an example of this, the following wording appears in paragraph 5.2’s table: “If the member’s pension strain is less than the statutory redundancy pay, the member is entitled to a cash payment, up to the amount of statutory redundancy pay. This cash top up is equal to [SRP – strain]”.

The reference to a “cash top up” in relation to an element of discretionary severance payment (DSP) in the same table, in the context of cases where (unreduced) strain cost is less than combined SRP and DSP, is less incongruous as this *would* be an additional payment due to the member over and above the SRP being paid to them, and the required strain cost payment (reduced by the SRP) being made to the pension fund, by the employer.

Draft Regulations

- For clarity and ease of interpretation consistent terminology should be used.
 - Termination date vs. leaving employment.
 Regulation 1 includes the following definition ““termination date” in relation to a person means the final day of that person’s employment.”
 The timeframes set out in Regulations 3(a) and 4(2)(a) should be set by reference to “termination date” as defined in Regulation 1 rather than the undefined “leaving their employment”.
 It is believed that this would mean:
 - a) Regulation 3(a) becoming “*the election by the Scheme member to make the payment is made by notice in writing to the administering authority given not later than the day before ~~leaving their employment~~ **their termination date** (or such longer period as they allow); and*”, and
 - b) Regulation 4(2)(a) becoming “the election to make the payment is made by notice in writing to the administering authority given not later than the expiry of the period of three months beginning on the day after ~~leaving that employment~~ **their termination date** (or such longer period as they allow); and”.
 - Employing authority vs. employer
 The term “employer” is used in Regulation 9(8)(a) whereas for consistency within these Regulations the term “employing authority” as defined in Regulation 1 should be used:
 Regulation 9(8)(a) would become “*is to be reduced by any amount paid by the ~~employer~~ **employing authority** in relation to that employment under regulation 68 of the 2013 Regulations (employer’s further payments);*”
 - Payments to be made to the appropriate fund vs. the administering authority
 References in the following Regulations to payments being made by either the relevant Scheme member or employing authority to “the

(relevant) administering authority” should be revised to “the appropriate fund”. It is believed that this would mean

- a) Regulation 3 would become “...*may elect to pay to the ~~administering authority~~ appropriate fund an amount..*”, and
 - o 10(5)(c) would become “...*pay to the ~~relevant administering authority~~ appropriate fund within one month...*”.
- The timeframe set out in Regulation 9(2) “*Where this regulation applies, the employing authority may decide to pay compensation under this regulation no later than three months **before** the termination date*” appears inappropriate – should the word “before” be “after”?
- The references to “Regulation 9” in Regulation 9(6) and (8) should presumably be to Regulation 8.
- The references in Regulation 9(7) and (12), which appear to be seeking to increase the £80,000 relative to Pensions Increase would need to be worded more appropriately if that was the chosen review mechanism/index.

12. Would you recommend anything else to be addressed as part of this consultation?

At this point, no.

Ideally, there would have been a properly managed alignment of the three separate strands to the Government’s exit payment reform strategy that has been trailed since 2015, i.e. in relation to the Cap, the reform of compensation arrangements at exit and the provisions for potential recovery of payments upon return to public service within specified timescales, however that is no longer an available way forward.

I trust that this response proves helpful.

Yours faithfully,



Mark Whitby FPMP, CPFA
Head of Pensions

Appendix 2

Cambridgeshire Pension Fund - Online and virtual training events

Date	Event Description	Audience	Knowledge Credits
28 September – 1 October 2020	Virtual - LGPS Local Pension Board Autumn Seminar (CIPFA and Barnett Waddingham LLP) The latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking.	Pension Fund Board Members	1
2 October 2020	Virtual - LGPS Local Pension Board Autumn Seminar (CIPFA and Barnett Waddingham LLP) The latest LGPS and governance information updates, training on specific topics and opportunities for discussion and networking.	Officers	1
12 – 16 October 2020	Virtual - Pensions and Lifetime Saving Association (PLSA) Annual Conference Multiple sessions covering all aspects of pensions administration, governance and investment across all types of UK pension schemes. Further information can be found here: PLSA Annual Conference Hyperlink	PensionFund Committee and Pension Fund Board Members Officers	0.5 credits per session up to a maximum of 4
4 – 5 February 2021	Virtual – LAPF Strategic Investment Forum The forum will explore pressing investment issues within the LGPS and their impact on investment policy, asset allocation and resources. LAPF Strategic Investment Forum hyperlink	Pension Committee and Local Pension Board Members Officers	0.5 credits per session up to a maximum of 4
10 February 2021	Pensions Information Day Method of delivery to be confirmed. Agenda to be confirmed.	Pension Fund Committee and Pension Fund Board Members Officers	To be confirmed
17 – 21 May 2021	Virtual – Pensions and Lifetime Savings Association (PLSA) Local Authority Conference Dedicated to the LGPS. Key note speakers, specialist sessions and online exhibition. Further information will be updated at the following link: PLSA Local Authority Conference Hyperlink Bookings open from December 2020	Pension Fund Committee and Pension Fund Board Members Officers	0.5 credits per session up to a maximum of 4

Cambridgeshire Pension Fund

PENSION FUND COMMITTEE

DATE: 8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject: RISK MONITORING

Purpose of the Report To present the Cambridgeshire Pension Fund Risk Monitoring Report

Recommendations The Committee is asked to review the current risks facing the Fund

Enquiries to: Michelle Oakensen, Governance Officer
moakensen@northamptonshire.gov.uk

1. Background

- 1.1 The Cambridgeshire Risk Strategy and Risk Register were reviewed and approved by the Pension Fund Committee on 28th March 2019. Following this approval, the Pension Fund Board have reviewed the risks facing the Fund on a quarterly basis and the Pension Fund Committee have reviewed on a bi-annual basis. This report is a continuation of the review process to ensure the risk register remains up to date and relevant.
- 1.2 At this time it was agreed that the Pension Fund Board would monitor risks in a quarterly basis and the Pension Fund Committee would review on a bi-annually basis, unless any concerns were raised by the Board prior to this.
- 1.3 This supports the Pension Regulator's Code of Practice 14 – Governance and administration of public service pension schemes with regards to monitoring and reviewing risks. This code of practice can be found at the following link:
[Pension Regulator's Code of Practice hyperlink](#)

2. Recommendations made by the Pension Fund Board

- 2.1 At the meeting of the 6th November 2020, the Pension Fund Board reviewed the risk register and the following changes were subsequently applied –

Risk No.	Risk	Change
13.	Pension Fund systems and data may not be secure and appropriately maintained.	The word “annual” has been inserted into the cyber training mitigation to demonstrate continual updated knowledge in this area.

19.	Actual experience materially differs from actuarial assumptions used at each valuation.	An additional control has been added "Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions".
21.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	The risk descriptor has been updated to demonstrate informed decisions "in conjunction with Fund Actuary/specialist advisor"

- 2.2 Since the meeting of the Pension Fund Board, the control for the following risk has been updated to reflect the issues detailed in 3.2.1.

14.	Failure to administer the scheme in line with regulations and guidance.	An additional control has been added "Where necessary specialist legal advice will be obtained to assist with interpretation of regulations or guidance". This has been introduced following the regulation conflict introduced by the exit cap legislation.
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- 2.3 Committee members are asked to review the full risk register located in appendix 1 of this report and advise if any further changes are required.

3. Short to Medium term risks

3.1 The impact of the pandemic

- 3.1.1 The service has had to alter the ways in which documents are produced and communicate calculations to members through using electronic communication. The documents are now issued in the first instance via secure email or Member Self Service to members upon completion. This also extends to how documents are received from members and forms from other funds, allowing for electronic copies of documents from verified email addresses. If electronic communication is not acceptable to members or other organisations, there is a member of staff within the office who will print and post documents when required.
- 3.1.2 Although electronic communication is the desired method of communication, there is now the use of a voicemail facility on the general pensions telephone number for members to contact the service by phone for urgent cases. A member of staff listens to the messages each morning and distributes the urgent call backs to relevant members of the team. This is a way to assist with members who wish to speak to a member of staff, and do not possess the technology to use electronic communication, whilst the main telephony system is not functional.

3.2 Administrative pressures facing the Fund

- 3.2.1 Upcoming changes to legislation on the capping and reforming of Local Government exit payments in the Public Sector will see the Fund faced with significant administration adjustments and associated communications with members. Not least within the interim period from 4th November (the effective date of the Public Sector Exit Cap Regulations coming into force) to the date the LGPS regulations are amended to enable a deferred pension or a full or partially reduced pension to be paid where the scheme member's exit package exceeds £95,000 and they leave employment at age 55 or more on the grounds of redundancy or business efficiency. Legal advice is being sought on this matter as the Fund may be subject to legal challenge by scheme members who would expect to receive a fully unreduced pension during this period.
- 3.2.2 In addition, options available to members as a result of this new legislation need to be communicated and systems updated to reflect the changes with relevant training being delivered to Officers.
- 3.2.3 Furthermore, the age discrimination remedy which will see an underpin applied to members who are affected by the McCloud judgement will also need to be implemented and communicated to members.
- 3.2.4 Both these pressures will add a short term administration risks for the process of benefits and other service activities.

4. Relevant Pension Fund Objectives

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

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

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

Continually monitor and measure clearly articulated objectives through business planning. Deliver consistent plain English communications to stakeholders.

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

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

5. Risk Management

- 5.1 The Pension Fund Committee and Pension Fund Board are expected to monitor risk and compliance and act appropriately where there is a cause for concern.

- 5.2 The risks associated with not monitoring risk and acting appropriately have been captured in the Fund's risk register as detailed below.

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

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

6. Finance & Resources Implications

- 6.1 None.

7. Communication Implications

Website: The risk register and risk strategy is on the Pensions Service Website. The Local Pension Board will be kept up to date with risks at each meeting.

8. Legal Implications

- 8.1 As detailed in section 3.2, advice is being sought from the Fund's legal advisers, Squire Patton Boggs.

9. Consultation with Key Advisers

- 9.1 As detailed in section 3.2, advice is being sought from the Fund's legal advisers.

10. Alternative Options Considered

- 10.1 There are no alternative options to be considered

11. Background Papers

- 11.1 The Cambridgeshire Pension Fund Risk Strategy – [Risk Strategy Hyperlink](#)

12. Appendices

- 12.1 Appendix 1 - The Cambridgeshire Pension Fund Risk Register

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 23rd November 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 12th November 2020
Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

Appendix 1 – Cambridgeshire Pension Fund Risk Register

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

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

E	Employer Services and Systems Manager
A	Accounting and Investments Manager
G	Governance and Regulations 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 and equity protection arrangements in place. 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	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
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 year-end financial statements record the Funds asset position and is subject to robustly reviewed by external audit, which supports the Funds asset valuation applied to assess fund adequacy. The Fund has currency hedging and equity protection 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 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	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
7.	The Investment Strategy's risk reward profile does not match the requirements of the Fund.	3	3	9	A	<ul style="list-style-type: none"> 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 LAPFF and 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	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
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 Fund's 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 and 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 LGPS requirements are met. Hosted pensions server and backup server are at separate Bedfordshire sites. Disaster recovery plans are in place for both Heywood and NCC. Compulsory annual online training for Officers on Cyber resilience and Data Protection. 	4	1	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
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/SECSOG) 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 PLSA. • Where necessary specialist legal advice will be obtained to assist with interpretation of regulations or guidance. 	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	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
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. Probability based/stochastic modelling techniques are used by the Fund Actuary to reduce the reliance on deterministic assumptions. 	2	2	4	G

Risk No	Risk	Gross Impact	Gross Likelihood	Gross Total	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
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
21.	Failure to assess and monitor the financial strength of an employer covenant to ensure employer liabilities are met in conjunction with the Fund Actuary/specialist advisors.	3	3	9	A	<ul style="list-style-type: none"> 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 Fund's 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	RAG	Controls	Residual Impact	Residual Likelihood	Residual Total	RAG
24.	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	3	2	6	G	<ul style="list-style-type: none"> 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 has an appropriate Investment Strategy Statement in place which also addresses 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

Agenda Item no. 7

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: 8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject: Cambridgeshire Pension Fund Data Improvement Policy

Purpose of the Report: To review the changes made to the Data Improvement Policy

Recommendations: That the Pension Fund Committee reviews and approves the revisions to the Data Improvement Policy

Enquiries to: Jo Walton – Governance and Regulations Manager
E-mail: jwalton@northamptonshire.gov.uk

1. Background

- 1.1 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.2 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.3 The Public Service Pension Act 2013 came into effect on 1 April 2014 and increased the powers of the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration.
- 1.4 The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a Data Improvement Plan to address any issues.
- 1.5 To demonstrate to the Pensions Regulator that the Fund has reviewed the quality of its data and has an ongoing approach to ensuring the Fund has appropriate processes in place to consistently hold accurate data, a Data Improvement Policy and a Data Improvement Plan were put in place in October 2018.
- 1.6 Due to a number of process improvements it has been necessary to review and update the Data Improvement Policy.
- 1.6 The Pension Fund Board reviewed the draft revised Data Improvement Policy at the meeting of 6 November 2020. No amendments or additions were requested. The Pension Fund Committee are therefore asked to review and approve the Policy that can be found in appendix 1.

2. Data Improvement Policy - revisions

2.1 The following revisions have been made to the Data Improvement Policy:

- 2.1.1 Data Audit (section 11.2) – this section has been revised to remove the independent review of processes used when receiving data from scheme employers and how it is transferred on to member's records to identify issues with internal controls and associated risks. This activity is conducted by internal audit.
- 2.1.2 LGPS National Insurance Database (section 11.3) – this section has been revised to include the wider scope of the Database. Previously its intended purpose was to enable LGPS administering authorities to check to see upon the death of a scheme member whether they had any other LGPS death benefit entitlement due to new restrictions in the maximum number of death benefits payable under the LGPS as whole. The new scope of the Database is to allow administering authorities to see if members have LGPS benefits elsewhere to enable the correct actions are taken with regards to processing refund or deferred benefit entitlement. A revised data sharing agreement was signed to allow for the data to be shared and used in this way.
- 2.1.3 Member tracing and mortality screening (section 11.5) – this section has been revised to confirm that the Fund has successfully procured a supplier of member tracing and mortality screening services.
- 2.1.4 Overseas proof of continued existence checks – this section has been updated to remove the Western Union proof of existence service that was to be previously used every two years to that of the Fund conducting this exercise annually using proof of existence certificates that are independently witnessed. The Fund was unable to continue to use the services of Western Union due to the administering authority's GDPR requirements not being satisfied.

3. Data Improvement Plan

- 3.1 The Pensions Regulator's code of practice sets out the requirement for public service pension schemes to continually review data held and carry out a review exercise at least once a year. Where a review identifies missing or poor quality data an improvement plan must be put in place to address these issues.
- 3.2 A review of the data held by the Fund has taken place via the Data Audit conducted by ITM Limited. ITM's report was released on 21 October 2020. The findings of the report will be digested and a revised Data Improvement Plan will be prepared and presented to the Pension Fund Committee for review at the March 2021 meeting.
- 3.3 Many data improvement activities continue to be undertake whilst the revised plan is constructed including but not limited to the contracted out liabilities reconciliation and rectification and the clearance of undecided leaver records. The progress of these activities are reported to the Pension Fund Committee and Pension Fund Board at every meeting within the Business Plan Update Report.

4. Relevant Pension Fund Objectives

Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance. *Objective 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 5*

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

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

5. Risk Implications

5.1 Cambridgeshire Pension Fund is required under various sets of legislation and the Pensions Regulator code of practice to ensure that data held on scheme members and their potential beneficiaries is up to date and accurate. As such the Fund should have in place an approach to managing the quality of its data and a plan for addressing any omissions or inaccuracies. This report presents to the Pension Fund Committee a Data Improvement Policy for their approval, to demonstrate compliance and commitment in this area. A revised Data Improvement plan will follow shortly.

5.2 The risks associated with the Fund not having in place a Data Improvement Policy and Data Improvement Plan have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 1)	Failure to administer the scheme in line with regulations and policies.	Amber
Governance (risk 2)	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	Amber
Governance (risk 4)	Policies and Strategies not being in place and up to date.	Green
Administration and Communication (risk 18)	Records are not accurate and do not reflect changes in circumstances.	Green
Administration and Communication (risk 19)	Pension Fund systems may not be secure and appropriately maintained.	Green

6. Finance & Resources Implications

6.1 The costs incurred in conducting data quality reviews and the associated rectification work will be met by the administration budget. Rectification work will be carried out by officers of the Fund where possible and efficient to do so.

7. Communication Implications

Website: The Data Improvement Policy is published on the Fund's website.

8. Legal Implications

- 8.1 There are no legal implications connected to the contents of this report as by putting in place a Data Improvement Policy and Data Improvement Plan, compliance with the Pensions Regulator's code of practice is being achieved.

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 Administration Strategy - [Administration Strategy hyperlink](#)
- 11.2 The Pensions Regulator's code of practice on the governance and administration of public services pension schemes
[Pension Regulator's Code of Practice](#)

12. Appendices

- 12.1 Appendix 1 Draft Revised Data Improvement Policy 2020

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 – 23rd November 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 9th November 2020

Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

Appendix 1
Cambridgeshire Pension Fund
Data Improvement Policy
2020

1. Introduction

- 1.1 This document is the Data Improvement Policy for Cambridgeshire Pension Fund, which is managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 The Cambridgeshire Pension Fund collects and processes large amounts digital and paper based personal data and is heavily reliant on the timely receipt of accurate data from scheme employers in order to administer the Local Government Pension Scheme (LGPS).
- 1.3 The primary purpose of the Cambridgeshire Pension Fund is to pay the correct pension benefits to its members when they become due. It is therefore essential that the Fund achieves and maintains the highest possible data quality standards.
- 1.4 The Public Service Pension Act 2013 came into effect on 1 April 2014 following the Independent Public Services Pensions Commission review conducted by Lord Hutton. The Act gave increased powers to the Pensions Regulator to ensure that public service pension schemes had appropriate measures in place to ensure high standards of governance and administration. The Pensions Regulator articulated these standards through the code of practice 14 – governance and administration of public service pension schemes. The code of practice addresses the need for high standards of accurate data and states that schemes must regularly review the data held and put in place a data improvement plan to address any issues.

2. Key policy objectives

- 2.1 The key objectives of this policy are to ensure that:
 - The Fund ensures compliance with the guidance of the Pensions Regulator and establishes a robust, reviewable, measurable and transparent framework necessary for the processing of accurate, complete and up-to-date records.
 - Accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated securely and accurately within prescribed timeframes.
 - Secure communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other in respect of record keeping and data quality standards.
 - The continued development of appropriate technology to improve data quality standards and the streamlining of operational processing in respect of both employers and the Fund.

- The Fund and employers have a clear understanding of their respective roles and responsibilities, ensuring all parties are committed to the continuing engagement to improve data quality and promote accurate record keeping.
- All data collection processes are clearly documented and are regularly reviewed to ensure the validity of data and to ensure they are aligned to updated legislative requirements.
- There is commitment to monitor the delivery of specified activities in accordance with the relevant regulations and the Pensions Regulator's Code of Practice.
- An audit programme (referred to as the Data Audit) is in place to assess compliance with this policy, to test internal controls associated with data collection processes and to ensure training requirements are identified and actioned.
- The Fund continues to engage with scheme employers to facilitate a drive towards electronic submission of member data and documentation using Employer Self Service, i-Connect and the LGSS Pensions website.

3. Purpose of the policy

- 3.1 This policy applies to all records held by the Cambridgeshire Pension Fund, its system suppliers, professional service providers and consultants acting on behalf of the Fund during the course of carrying out the administration function.
- 3.2 Records are defined as all those documents which facilitate the activities carried out by the Fund and those retained for set periods to provide evidence of its transactions or activities. These records may be created or received and then stored, in paper copy or digital form (document, spreadsheet, database entries etc).

4. Effective date and reviews

- 4.1 This policy was first approved by the Pension Fund Committee on 18 October 2018 and was effective from 19 October 2018. The policy was reviewed again on x/x/x and effective from x/x/x.
- 4.2 This policy will continue to be reviewed annually, and if necessary, more frequently to ensure it remains accurate and relevant.

5. Scope

- 5.1 The policy applies to:

- All scheme members including potential beneficiaries of members for whom the Fund holds personal data;
- Administrators of the scheme; and
- The Pension Fund Committee and Pension Fund Board.

6. Legislative framework

6.1 Cambridgeshire Pension Fund and its employers have a legal and statutory obligation to comply with a number of regulations, standards and formal guidance relating to data quality. These include but are not limited to:

- Local Government Pension Scheme Regulations 2013
- Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- The Pensions Act 1995, 2004 and 2008
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- The General Data Protection Regulations
- The Pensions Regulator's Code of Practice (number 14): governance and administration of public service pension schemes

7. The Pensions Regulator

7.1 Code of practice

7.1.1 The Pensions Regulator's code of practice (number 14): governance and administration of public service pension schemes, provides practical guidance on scheme record keeping. Codes of practice are not statements of law and there is no penalty for failing to comply with them, nor is there a requirement for all the provisions of the code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements. The legal

requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.

7.1.2 The code of practice states that schemes should:

- Continually review their data and carry out a data review exercise at least annually
- Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

7.2 Public service governance and administration survey

7.2.1 Each year since 2015 the Pensions Regulator has conducted an annual survey of public service pension schemes to assess how schemes are meeting the requirements within the code of practice and the standards to which the schemes are being run. The survey results have provided the Pensions Regulator understanding on the barriers to data improvement and highlighted record keeping and data quality as high risk areas when compared with the other requirements within the code of practice.

7.2.2 The Fund participates in the survey every year and reports to the Pension Fund Committee and Pension Fund Board a comparison of the Fund's position in relation to the findings.

7.3 Mandatory annual return

7.3.1 On an annual basis the Pensions Regulator will issue an annual return which if not completed and returned is regarded as a breach of the law under the Pensions Act 2004.

7.3.2 From 2018 onwards the annual return will require a score as to the quality of the scheme's data. The Pensions Regulator has identified 2 categories of data that all pension schemes must provide a score for. These categories are common data and scheme-specific data broadly defined as follows:

Common data – used to identify scheme members and includes name, address, national insurance number and date of birth.

Scheme-specific data – essential to calculate benefit entitlement such as pensionable pay and service history.

7.3.3 The Pensions Regulator has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

8. Other data

- 8.1 The Cambridgeshire Pension Fund will also ensure that data not considered to be common or scheme specific, but has a processing need such as data required for the payment of pensions (e.g. tax codes, bank details) and data belonging to potential beneficiaries is also maintained to high standards of quality, accuracy and security.

9. Data Protection

- 9.1 The Fund needs to collect and process different types of information about individuals in the scheme and their potential beneficiaries in order to operate. The General Data Protection Regulations (GDPR) details the requirements, safeguards and member's rights which must be applied to personal data to ensure the rights and freedoms of living individuals are not compromised.
- 9.2 Cambridgeshire County Council (the administering authority) is the data controller as defined by the GDPR and must observe the principles relating to the processing of personal data. Registration at the Information Commissioner's Office (ICO) can be found under registration number Z4849790.
- 9.3 Article 5 of the GDPR sets out the principles relating to the processing of personal data and states that personal data shall be accurate and where necessary, kept up to date. Every reasonable step must be taken to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed are erased or rectified without delay.
- 9.4 Where a scheme member, their representative or a potential beneficiary has identified an inaccuracy or omission in their data that is held by the Fund, they have a right to rectification. As such a request for rectification can be made either verbally or in writing to the Data Protection Officer who has one month to respond.
- 9.5 Where personal data is shared with a third party in relation to the necessary functions to administer the scheme, due diligence will have taken place to ensure that the data will be processed in accordance with the GDPR and will be recorded in the Fund's privacy notice.
- 9.6 The Fund's privacy notice can be found on the LGSS Pensions website:
[Pension Fund Privacy Notice hyperlink](#)

10. Responsibilities of key parties

10.1 A detailed overview of Fund and employer responsibilities, performance standards and escalation policy with regards to the provision of membership data can be found within the Pensions Administration Strategy.

10.2 There are additional general responsibilities relating to the Data Improvement Policy as follows:

10.2.1 Fund officers

- Individual teams are responsible to continually review and ensure that data collection is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes will have documentation in place to facilitate staff training, understanding and compliance at both a Fund and employer level.
- All staff must undertake e-learning modules on protecting personal data and information governance.
- Team managers are responsible for ensuring that staff have the appropriate level of system access to fulfil their duties and that access is withdrawn upon the member of staff leaving the team. This minimises the risk of accidental loss, errors and unauthorised activity.

10.2.2 Scheme employers

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by its scheme employers and any third party agencies that may utilise e.g. outsourced payroll providers.
- To maintain complete and accurate records a continual dialogue with scheme employers is required. Fund officers will work with scheme employers throughout the year to support the provision of data to the required standard.
- The scheme employer is required to provide information when requested both on an ad hoc basis and in connection with structured cyclical activities such as year-end returns and pension savings statements.
- The Fund's Administration Strategy details the financial penalties that can be levied against scheme employers who provide inaccurate or untimely information.

10.2.3 Administering Authority

- Cambridgeshire County Council as the administering authority provide the IT infrastructure for the Fund and supporting procedures and guidance for staff on information governance issues including data protection.
- The Governance and Regulations Manager and the Employer Services and Systems Manager provide the link between the Fund and the administering authority for information governance, cyber security and data protection.

11. Third party data services

11.1 The Fund will make use of third party data services to improve data quality and to support the administrative functions. Such services are provided by external organisations as either collaborative ventures, with no or minimal cost or a procured commercially, normally on a joint procurement basis with Northamptonshire Pension Fund using an established procurement framework.

11.2 Data Audit

11.2.1 The Fund has entered into a strategic partnership with ITM Limited to produce a suite of data validation tests that will identify errors, omissions and inconsistencies in the data held to be detailed in an annual Data Audit report. The Data Audit will be conducted annually and the results will be made available to the Pension Committee and Local Pension Board and updated within the Data Improvement Plan.

11.2.2 The Data Audit report will also provide an independent assessment of the common and scheme-specific data scores that are to be included in the statutory Pensions Regulator's annual return.

11.3 LGPS National Insurance Database

11.3.1 Administered by South Yorkshire Pension Fund Authority (SYPA) on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for LGPS administering authorities to identify scheme members who had LGPS benefits elsewhere to ensure the correct actions are taken when assessing members entitlement under the scheme Regulations. Each administering authority is required to complete a data sharing agreement before data is uploaded and shared.

11.4 'Tell Us Once' Service

11.4.1 The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows an individual registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

11.5 Member Address Tracing and Mortality Screening

11.5.1 The Fund has procured a provider of member tracing and mortality screening services on a joint basis with Northamptonshire Pension Fund from the National LGPS Frameworks. These services will involve periodic checks on membership data against central registers to ensure the most up to date address is held for scheme members and to notify of any scheme members that may have died but which have not been notified to the Fund either by the scheme member's representatives or via TUO.

11.6 Overseas continued existence checks

11.6.1 In line with the Fund's Anti-Fraud and Corruption Policy, a proof of existence exercise is conducted every year to establish the continued existence of scheme members residing overseas who are in receipt of a pension. The process involves scheme members completing a proof of existence form that is independently witnessed.

11.6.2 Where scheme members fail to participate in the existence processes and following several attempts to remind them to do so their pension will be suspended until such times as contact is established with the member and proof of continuing existence is verified.

11.7 National Fraud Initiative (NFI)

11.7.1 Administered by the Cabinet Office, the NFI is a biennial exercise that matches electronic data within and between public service bodies to prevent and detect fraud. As a participant, the Fund receives a report of cases to investigate, to take remedial action and update records accordingly.

12. Data Improvement Plan

- 12.1 To achieve compliance with the LGPS regulations, the Pensions Regulator's code of practice and to effectively administer the scheme, the Fund is required to put in place a Data Improvement Plan that identifies large scale data quality activities to be undertaken in the short term.
- 12.2 The Fund's Governance and Regulations Manager, supported by the Data Improvement Officer and the team of Pensions Officers are responsible for updating and ensuring the completion of the activities identified on the Data Improvement Plan.
- 12.3 The Data Improvement Plan will be kept under constant review with new activities added as they arise.
- 12.4 Progress against the Data Improvement Plan will be reported to the Pension Fund Committee and Pension Fund Board at each meeting.

CAMBRIDGESHIRE PENSION FUND

PENSION FUND COMMITTEE

8TH DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject:	Employer Admissions and Cessations Report
Purpose of the Report:	<p>To report five admissions to the Cambridgeshire Pension Fund</p> <p>To notify the Committee of four bodies ceasing in the Cambridgeshire Pension Fund</p> <p>To seek approval from the Committee to revise the contribution payments required from Peterborough City Council</p>
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">• Compass Contract Services• HCL - Hertfordshire Catering Limited• Solutions 4 Health Ltd• Taylor Shaw Limited (x2)2. Notes the cessation of the following bodies from the Cambridgeshire Pension Fund:<ul style="list-style-type: none">• Orchard Learning Trust• Serco Limited (PCC ITNET)• Solutions 4 Health Ltd• Vivacity Culture and Leisure3. Approves the revision to the contribution payments required from Peterborough City Council as set out in Paragraph 3.4.5
Enquiries to:	Cory Blose, Employer Services and Systems Manager Tel – 07990560829; cblose@northamptonshire.gov.uk

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
06/04/2019	Compass Contract Services (Staploe Education Trust)	The Staploe Education Trust has entered into a contract with Compass Contract Services to provide catering services across a number of academies within the Trust. The Staploe Education Trust has agreed to retain the pension risk under a pass through agreement.
27/10/2018	HCL - Hertfordshire Catering Limited (Thongsley Fields Primary and Nursery School)	The Cam Academy Trust have entered into a contract with HCL Limited to provide catering services in Thongsley Fields Primary and Nursery School. As a result, a group of employees were transferred to the admission body and a full admission agreement has been put in place. This agreement has been backdated to 27 October 2018 and backdated contributions were due by 19 November 2020.
01/09/2020	Solutions 4 Health	Peterborough City Council entered into a contract with Solutions 4 Health to provide healthcare services from 1 April 2017. As a result, a group of employees were transferred to the admission body. The admission body requested access to the LGPS for eligible employees from 1 September 2020 and a full admission agreement has been put in place.
01/08/2019	Taylor Shaw (Cambridge Meridian Academies Trust)	Cambridge Meridian Academies Trust has entered into a contract with Taylor Shaw Limited to provide catering services across a number of academies within the Trust. As a result, a group of employees were transferred to the admission body and a full admission agreement has been put in place.

Date	New Admission Body	Background information
22/10/2018	Taylor Shaw (The Elliott Foundation Trust)	The Elliott Foundation Trust has entered into a contract with Taylor Shaw Limited to provide catering services across a number of academies within the Trust. As a result, a group of employees were transferred to the admission body and a full admission agreement has been put in place. This agreement has been backdated to 22 October 2018 due to the retrospective admission requested by the admission body. The backdated contributions were received on 19 October 2020.

3. Cessations

3.1 Orchard Learning Trust

3.1.1 The Orchard Learning Trust was admitted to the Fund as a scheduled body on 1 April 2012 following the conversion and merger of Godmanchester Community Primary School and Godmanchester Bridge School.

3.1.2 On 31 August 2020, the Orchard Learning Trust was closed with the academies moving under either Aces Academies Trust or The Diamond Learning Trust. No exit payment or credit will be required as the assets and liabilities in respect of both active and non-active liabilities will transfer to Aces Academies Trust and The Diamond Learning Trust in line with the conditions of the DfE guarantee for academies.

3.2 Serco Ltd (PCC ITNET)

3.2.1 Serco Ltd were admitted to the Fund under a full admission agreement on 30 September 2009 after they were awarded a contract to provide outsourced IT services to Peterborough City Council.

3.2.2 On 30 September 2020, the service contract ceased. The exit payment or credit will be pursued from/credited to Serco Ltd following the actuarial assessment conducted by the scheme actuary at cessation.

3.3 Solutions 4 Health Ltd

3.3.1 Solutions 4 Health Ltd were admitted to the Fund under a retrospective full admission agreement on 1 September 2020 after entering into a contract with Peterborough City Council.

3.3.2 On 30 September 2020, the service contract ceased. Due to the short period of the admission it was agreed that no exit payment or credit will be required as Peterborough City Council will reabsorb the assets and liabilities.

3.4 Vivacity Culture and Leisure

3.4.1 Vivacity Culture and Leisure were admitted to the Fund under a full admission agreement on 26 February 2010 after entering into a contract with Peterborough City Council to manage the City Council's culture and leisure facilities.

3.4.2 On 18 June 2020, as a result of financial pressures caused by operational restrictions during the current pandemic, Vivacity served 90 days notice to Peterborough City Council to terminate their agreement. The City Council has resolved to temporarily deliver the services directly until the uncertainty caused by the pandemic has ended.

3.4.3 A full actuarial calculation has not yet taken place but it is estimated that, if calculated on the prudent cessation basis applicable to Vivacity, an exit payment of approximately £4.1m would be required. Following discussions with Peterborough City Council, the Council has agreed to assume responsibility for funding these liabilities as Vivacity are not able to make any payment towards the deficit and own no assets that could be sold to fund such a payment. If the liabilities are not absorbed by the City Council, the deficit would alternatively have to be shared across all other employers in the Fund.

3.4.4 Using the less prudent "ongoing" methodology that applies to valuing the liabilities of a local authority, there is an estimated funding surplus of approximately £3m. If Peterborough City Council assume the responsibility for the LGPS assets and liabilities of Vivacity, this would result in a material improvement to the funding position of the City Council, reducing its deficit by 25% from circa £12.5m to circa £9.5m. As a result the City Council has requested that the administering authority review contribution payments to reflect this material change and agree an appropriate reduction to their secondary contribution payments which are primarily targeted at reducing the City Council's deficit.

3.4.5 Under regulation 64A (1) (iii) of the LGPS regulations the administering authority has a duty to consider requests from an employer to review their contribution requirements. Officers have discussed the request with the Fund Actuary and, as a result of this professional advice, recommend that the secondary contribution be reduced by a value equal to half the value of the credit they would receive as formally calculated by the Fund's Actuary.

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. *Objective 2*

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

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

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:

[Risk Register hyperlink](#)

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.

Direct communications will be required with the exiting employers

Training: Training will need to be provided to new employers on a number of LGPS issues.

Website: New employers are given access to the employer's guidance available on the pension's 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.
- 9.3 Advice has been sought from Hymans Robertson in connection with the cessation of Vivacity.

10 Alternative Options Considered

- 10.1 None available.

Checklist of Key Approvals

Has this report been cleared by Section 151 Officer? Sarah Heywood – 23rd November 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 11th November 2020

Has the Chairman of the Pension Fund Committee been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

CAMBRIDGESHIRE PENSION FUND

PENSION FUND COMMITTEE

DATE: 8 DECEMBER 2020

REPORT BY: HEAD OF PENSIONS

Subject: ADMINISTRATION STRATEGY REVIEW

Purpose of the Report: To seek approval of amendments to the Administration Strategy.

Recommendations: That the Pension Fund Committee approve the amendments to the Administration Strategy.

Enquiries to: Cory Blose – Employer Services and Systems Manager
Tel – 07990560829; cblose@northamptonshire.gov.uk

1. Background

- 1.1 The Local Government Pension Scheme Regulations 2013 provide that administering authorities may prepare, maintain and publish a written Statement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.
- 1.2 An administration strategy already in place has been previously agreed the Pension Fund Committee and is now scheduled for review.
- 1.3 The current version of the strategy is a joint strategy between Cambridgeshire and Northamptonshire Pension Funds, which was the previously preferred approach. The strategy has now been drafted as a separate document for each Fund.
- 1.4 The operating model for shared services between Cambridgeshire and Northamptonshire County Council's was recently reviewed and the decision was taken to decommission the LGSS brand and replace this with a "lead authority" model. All references to LGSS have been removed from the strategy.

2. Purpose of the Policy

- 2.1 The aim of the Administration Strategy is to set out clearly what is expected from the administering authorities and the Funds' employers, in order to deliver a high quality, value for money service to Scheme members.

2.2 Having a strategy in place also enables an administering authority to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer.

3. Review of the Administration Strategy

3.1 Appendix 1 provides a track changed version of the administration strategy for approval by the Pension Fund Committee.

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

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

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

4. Next steps

4.1 Following approval by the Pension Fund Committee the administration strategy will be subject to a 30 day consultation with relevant stakeholders e.g. scheme employers and HR/Payroll data suppliers.

4.2 Should the consultation process result in material changes to the Strategy it will be brought to the next available meeting of the Pension Fund Committee for final approval prior to publication. Otherwise, the Strategy will be published immediately following the consultation process.

5. 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. *Objective no 1)*

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. *Objective 3*

To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary. *Objective 8*

To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration. *Objective 10*

To maintain accurate records and ensure data is protected and used for authorised purposes only. *Objective 11*

To ensure cash flows in to and out of the Fund are timely and of the correct amount. *Objective 16*

6. Finance and Resources Implications

6.1 None

7. Risk Management

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

7.2 The risks associated with making or not making this decision have been captured below.

7.3 A full version of the Fund risk register can be found at the following link
– [Risk Register hyperlink](#)

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

8. Communication Implications

Direct Communications: A communication will be issued to inform employers that a draft version of the amended administration strategy has been published for consultation.

Website: The draft administration strategy will be published on the Fund's website

9. Legal Implications

9.1 No immediate legal implications

10. Consultation with Key Advisers

10.1 N/A

11. Alternative Options Considered

11.1 None

12. Appendices

12.1 Appendix 1 – Draft Administration Strategy (Tracked)

Checklist of Key Approvals

Has the Chairman of the Pension Committee been consulted? Councillor Rogers – 23rd November 2020

Has this report been cleared by Legal Services? Fiona McMillan – 13th November 2020

Has this report been cleared by Chief Finance Officer/Section 151 Officer? Sarah Heywood – 23rd November 2020

Has this report been cleared by Head of Pensions? Mark Whitby – 8th November 2020

CAMBRIDGESHIRE PENSION FUND & NORTHAMPTONSHIRE PENSION FUND

ADMINISTRATION STRATEGY

Contents

PAGE

1. Introduction

32

2. Administration Strategy

43

3. Appendicies

12

1. Introduction

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

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

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

2. Administration Strategy

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

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

Regulatory framework

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

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

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

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

Nothing in this strategy overrides the legal responsibilities of any parties, for example the statutory requirement¹ to notify the Pension Regulator in the event of a material breach of the law.

Key objectives

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

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

¹ Under section 70 of the Pensions Act 2004

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

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

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

- ~~• Provide a high quality, friendly and informative administration service to the Funds' stakeholders.~~
- ~~• Administer the Funds in a cost effective and efficient manner utilising technology.~~
- ~~• Ensure each Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.~~
- ~~• Put in place standards for each Fund and its employers and ensure these standards are monitored and developed as necessary.~~
- ~~• Ensure each Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.~~
- ~~• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.~~
- ~~• Maintain accurate records and ensure data is protected and has authorised use only.~~
- ~~• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.~~

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

Delivering the Objectives

Method of Delivery

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

Procedures for liaison and communication with employers and other stakeholders

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

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

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

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

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

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

Performance Standards

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

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

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

Methods may include:

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

Improving Administration

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

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

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

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

Circumstances where costs might be recovered

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

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

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

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

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

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

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

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

OR

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

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

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

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

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

Illustrative additional administration costs

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

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

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

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

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

Further information

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

~~LGSS~~ Pensions Service

One Angel Square
Angel Street
Northampton
NN1 1ED

pensions@northamptonshire.gov.uk

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

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

3. Appendix A – Whole Fund Administration Performance Standards

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

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

Appendix B –Employer Performance Standards

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

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

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

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

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

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

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

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

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

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

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

