



**To: The Chair and Members of the Cumbria Local Pension Board**

# Agenda

Dear Member

## **CUMBRIA LOCAL PENSION BOARD**

A meeting of the Cumbria Local Pension Board will be held as follows:

**Date:** Tuesday, 16 April 2024  
**Time** 10.00 am,  
**Place:** County Hall, Kendal

**Linda Jones**  
**Chief Legal and Monitoring Officer**  
**Westmorland and Furness Council**

**Enquiries and requests for supporting papers to: Anthony Farrar**  
**Direct Line: 07909 932418**  
**Email: [anthony.farrar@westmorlandandfurness.gov.uk](mailto:anthony.farrar@westmorlandandfurness.gov.uk)**

## **MEMBERSHIP**

### **Independent Chair**

Mr P Mulligan

#### **Employer Representatives**

Mr N McCall      Westmorland & Furness  
Mr A Semple      Cumberland  
Mr G Capstick    Other Employers

#### **Employee (member) Representatives**

Ms A Quinn  
Ms K Thomson  
Ms K Wilson

## **ACCESS TO INFORMATION**

### Agenda and Reports

Copies of the agenda and Part I reports are available for members of the public to inspect prior to the meeting. Copies will also be available at the meeting.

The agenda and Part I reports are also available on the Westmorland and Furness website

<https://westmorlandandfurness.moderngov.co.uk/ieListMeetings.aspx?Committeeld=279>

## **A G E N D A**

### **1. Apologies for Absence**

To receive any apologies for absence.

### **2. Terms of Reference and Membership**

To note the Terms of Reference and membership of the Board (copy enclosed).

### **3. Declarations of Interest/Dispensations**

To receive declarations of interest by members of any interests on respect of items on this agenda, and to consider any dispensations.

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registerable or other interests.

### **4. Exclusion of Press and Public**

To consider whether the press and public should be excluded from the meeting during consideration of any item on the agenda.

### **5. Minutes of the Previous Meeting**

To consider the minutes of the previous meeting held on 9 February 2024 (copy enclosed).  
(Pages 5 - 10)

### **6. Schedule of Future Meetings**

To note the schedule of future meetings (copy enclosed).  
(Pages 11 - 12)

### **7. Work Plan**

To consider the Current Work Plan (copy enclosed).  
(Pages 13 - 14)

### **8. Oversight of Pension Committee Decisions and other matters**

To consider a report from the Director of Resources (Section 151 Officer) (copy enclosed).  
(Pages 15 - 56)

### **9. The Pension Regulator's General Code**

To receive a presentation from the Director of Resources (Section 151 Officer) (copy enclosed).  
(Pages 57 - 68)

**10. Review of Administration Matters**

To consider a report from the Director of Resources (Section 151 Officer) (copy enclosed).  
(Pages 69 - 138)

**11. LPPA Presentation: Performance Update**

Jo Darbyshire, Managing Director, Local Pensions Partnership Administration has been invited to make a presentation to the Board.

**12. Verbal Update on Emerging Issues**

To receive a general verbal update from the Director of Resources (Section 151 Officer).

**13. Date and Time of next meeting**

The next meeting of the Cumbria Local Pension Board will be held on 9 July 2024 at 10:00am.

## WESTMORLAND AND FURNESS COUNCIL CUMBRIA LOCAL PENSION BOARD

Minutes of a Meeting of the **Cumbria Local Pension Board** held on Friday, 9 February 2024 at 10.00 am at County Hall, Kendal

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### **PRESENT:**

Mr P Mulligan (Chair)  
Cllr N McCall  
Cllr A Semple  
Ms A Quinn  
Ms K Thomson

### **Officers in attendance:**

Ms A Leech	Director of Finance, People & Culture, LPPA
Ms P Duke	Director of Resources (Section 151 Officer)
Mr P George	Acting Senior Manager
Ms A McGuinness	Finance Manager - Pensions Administration
Ms G Welbourn	Technical Finance Officer-Pensions
Mr A Farrar	Democratic Services Officer
Mr J Farnworth	Lead Lawyer

## **PART I ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS**

### **27. APOLOGIES FOR ABSENCE**

Apologies were received from Ms Wilson and Mr Capstick.

### **28. TERMS OF REFERENCE AND MEMBERSHIP**

There were no changes to the Terms of Reference.

### **29. DECLARATIONS OF INTEREST/DISPENSATIONS**

There were no disclosures of interest.

### **30. EXCLUSION OF PRESS AND PUBLIC**

It was noted that:

Agenda Item No 13 – Verbal Update on Emerging Issues

was moved into Part 1 of the agenda.

**RESOLVED**, that the press and public be excluded from the meeting during consideration of:

Agenda Item No 10 – Review of Administration Matters;  
Agenda Item No 11 – Update of Fund’s Cyber Resilience Action Plan; and  
Agenda Item No 12 – LPPA Presentation: Performance Update;

by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as the reports contain information relating to the financial or business affairs of any particular person (including the Authority holding that information).

### **31. MINUTES OF THE PREVIOUS MEETING**

**RESOLVED**, that the minutes of the previous meeting held on 10 October 2023 be approved.

### **32. SCHEDULE OF FUTURE MEETINGS**

Members noted the schedule of future meetings of the Cumbria Local Pension Board.

### **33. WORK PLAN**

Members noted the work plan of the Cumbria Local Pension Board.

### **34. OVERSIGHT OF PENSION COMMITTEE DECISIONS AND OTHER MATTERS**

Members considered a report from the Director of Resources (Section 151 Officer) which updated them on all aspects of the governance and administration of the Local Government Pension Scheme (LGPS).

Section 4 of this report summarised the work conducted, and decisions made by the Committee at its meeting held on 7 December 2023, in order that Board Members could review these as part of their legal responsibility to members of the Fund.

This report also advised Members of other matters arising, including regulatory changes, since last reported to the Board.

The Technical Finance Officer took Members through the report, and highlighted the following:

- Legal breaches – there had been no legal breaches reported to the Pensions Regulator during the quarter.

- Risk – No new risks had been added to the register. The risk associated with the McCloud remedy has been removed, although there was significant work for the Fund and LPPA to complete it has been well planned for and was now considered “business as usual”. All risks had been thoroughly reviewed this quarter. There were 17 risks.
- Data Quality – The data continues to be of a good quality as evidenced by the common and conditional data scores. The National Fraud Initiative continued to be carried by the Fund at six monthly intervals with the next set of results to be reported at the next meeting in April 2024.
- Investment Management – The value of the Fund had increased in the quarter from £3.148 billion to £3.184 billion. The Fund returned 1.3% outperforming the Fund specific benchmark -0.1%. Although the 1 year performance was below the benchmark, performance exceeded the Fund specific benchmark over 3, 5 and 10 years.
- Training – During the quarter two Board Members attended sessions from the Local Government Association – LGPS Fundamentals training course, the Chair and several Members attended the CIPFA Autumn LPB Webinar and the Chair attended a Pensions Committee training session on the Fund’s upcoming Investment Strategy Review.
- The Pensions Regulator’s Public Service Pension Schemes – Governance and Administration Survey 2023 - This was the seventh survey carried out since Local Pension Boards for public sector pension schemes were established in 2015 – there was no survey in 2022. The responses from the LGPS covered 92% of LGPS schemes which related to 97% of membership. 81% of LGPS schemes, including Cumbria, had in place all six of the key processes that TPR monitors as indicators of performance. The top risk for 51% of LGPS funds was cyber, up from 23% in 2021 and the most widely mentioned barriers to improving scheme governance and administration in the LGPS were recruitment, training and retention of staff.
- Internal Audit Review – The Council’s Internal Audit Team undertook a scheduled audit of the internal controls associated with investments of the Fund. It was pleasing to note the outcome of the audit had ‘no recommendations’ and the auditors concluded the controls provided ‘Substantial Assurance’.
- Regulatory Changes – Pensions Dashboard. Legislation had already been introduced through the Pension Schemes Act 2021 and it was recently announced that Public Service Pension Funds would need to connect to the Pensions Dashboard Programme by

30 September 2025. Members were updated on progress being made by the Fund and LPPA towards this..

Members noted the Internal Audit results and expressed how impressive it had been to receive that assurance.

The Director of Resources (Section 151 Officer) and the Acting Senior Manager noted the hard work of the team to receive the assurance.

The Chair commented that concerns had been expressed by some attendees at a recent training event in regard to the Consultation – Next Steps on Investments regarding Pension Funds investing 10% in private equity and in the proposal to merge pools. It was noted that the Fund is currently considering the proposals but that these were not yet finalised by the Government.

The Director of Resources (Section 151 Officer) remarked that it was timely that the Fund was currently undertaking an Investment Strategy Review.

**RESOLVED**, that the Board

- (1) noted the decisions approved and other matters considered by the Pensions Committee at the meeting held on 7 December 2023 and request further information and/or feedback to the Pensions Committee as appropriate.

### **35. VERBAL UPDATE ON EMERGING ISSUES**

Members received a verbal update from the Director of Resources (Section 151 Officer) and the Acting Senior Manager. The update included:-

- Year End Accounts - Grant Thornton, the Fund's external auditor, was expected to sign off the 2022/23 financial statements of the Fund in the next few days with an unqualified opinion expected.
- Staffing – The Director of Resources (Section 151 Officer) updated the Board on vacancies within the team including the appointment of a Senior Manager to the team. She also reported that Claire Scott (Independent Advisor) was to leave as Advisor in June.
- Investment Strategy Review - The Acting Senior Manager outlined that engagement was ongoing with regard to the development of a Responsible Investment policy for the Fund including a survey of the scheme's membership and a roundtable meeting with other key stakeholders..
- The Pension Regulator's Single Code of Practice - the Acting Senior Manager gave a brief overview of the new Code and explained that officers are currently reviewing the Code and is in the initial stages of looking at options available for assessing compliance.



The Chair thanked the Director of Resources (Section 151 Officer) and the Acting Senior Manager for their update.

### **36. DATE AND TIME OF NEXT MEETING**

The next meeting would be held on 16 April 2024 at 10am.

### **37. REVIEW OF ADMINISTRATION MATTERS**

Members considered a report from the Director of Resources (Section 151 Officer), which provided an update on the following key areas of Pensions' Administration.

- The service provided by LPPA and performance monitoring by the Fund with a further update to be provided by LPPA in their presentation at the last agenda item.
- Employer Issues and measures taken to mitigate them

**RESOLVED**, that the Board noted the Pension Administration matters detailed in the report and requested further information and/or feedback to the Pensions Committee as appropriate.

### **38. UPDATE ON FUND'S CYBER RESILIENCE ACTION PLAN**

The Finance Manager – Pensions Administration provided an update on progress against delivering actions from the cyber resilience action plan. The Chair highlighted that it was encouraging that the plan was largely associated with having written policies for practices that were already in place.

**RESOLVED**, that the Board noted the progress against the action plan to further strengthen cyber security arrangements within the Fund.

### **39. LPPA PRESENTATION: PERFORMANCE UPDATE**

Members received a verbal update from Ms A Leech, Director of Finance, People & Culture, LPPA The update included:-

- Performance Overview
- HR Update
- Collaboration with Cumbria Pension

The Chair thanked the Director of Finance, People & Culture, Local Pension Partnership Administration for her update.

The meeting ended at 11.30 am

# Agenda Item 6

## **CUMBRIA LGPS Local Pension Board – SCHEDULE OF FUTURE MEETINGS**

<b>Date</b>	<b>Start Time</b>	<b>Location</b>
Tuesday 9 July 2024	10am	Council Chamber, County Hall, Kendal
Tuesday 8 October 2024	10am	Kendal
Tuesday 14 January 2025	10am	Kendal
Tuesday 15 April 2025	10am	Kendal
Tuesday 8 July 2025	10am	Kendal

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## DRAFT CLPB ANNUAL WORK PLAN

PC	PC AGENDA ITEMS*	STANDING ITEMS: Quarterly	LPB	STANDING ITEMS: Annual	ADDITIONAL BOARD SPECIFIC WORK ITEMS
18 JUN 24	<i>Investment Strategy Review Unaudited accounts Annual global tax update Training topics</i>	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>• Regulatory changes/Consultations</li> <li>• Employer issues (incl. performance)</li> <li>• Update on Training (attended or available)</li> </ul> <u>TPR</u> <ul style="list-style-type: none"> <li>• Legal breaches</li> <li>• Data Quality &amp; improvement*</li> </ul> <u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>• Oversight of PC decisions</li> <li>• Risk register</li> <li>• LPPA – Quarterly overview of service provision &amp; performance</li> <li>• Cyber security plan</li> </ul>	9 JUL 24	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>• CLPB Annual Report</li> <li>• Annual LPPA Report</li> </ul>	<p><b>Additional focus on LPPA Performance.</b></p> <p><b>Compliance with TPR's General Code of Practice</b></p> <p><b>Readiness for implementation of Pension Dashboards</b></p> <p><b>Implementation and Impact of McCloud Remedy</b></p> <p><b>Cyber Security Action Plan and further assessment of Fund's systems and processes.</b></p>
17 & 18 SEPT 24	<i>Annual Report &amp; Accounts/Audit Findings Report (AFR) Funding Strategy Statement Training topics (tbc) Compliance to TPR's General Code of Practice</i>		8 OCT 24	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>• Draft Annual Report &amp; Accounts</li> <li>• Audit Findings Report (if available)</li> </ul>	
10 DEC 24	<i>Training update Half-year update of budget and business plan Training topics (tbc)</i>		14 JAN 25	<u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>• Board Member feedback on Pensions Forum</li> </ul> <u>TPR</u> <ul style="list-style-type: none"> <li>• TPR Gov &amp; Admin survey</li> </ul>	
20 MAR 25	<i>2025/26 Fund budget &amp; business plan 2025/26 BCPP budget &amp; business plan Annual review of scheme policy document Training topics (tbc)</i>		15 APR 25	<u>Regulatory/Legislative</u> <ul style="list-style-type: none"> <li>• Annual Review of Fund Policies</li> <li>• Board Training Plan</li> </ul> <u>Effective &amp; Efficient Gov &amp; Admin</u> <ul style="list-style-type: none"> <li>• Review of Annual LPB Work Plan</li> </ul>	

\* Subject to information being available.

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<b>Report Title</b>	Oversight of Pensions Committee Decisions and Other Matters for Consideration
<b>Meeting</b>	Cumbria Local Pension Board
<b>Meeting Date</b>	16 April 2024
<b>Report Author</b>	Pam Duke, Director of Resources (S151 Officer)
<b>Chair of Local Pension Board</b>	Patrick Mulligan, Independent Chair of the Local Pension Board
<b>Wards Affected</b>	All
<b>PUBLIC. PART EXEMPT, OR FULLY EXEMPT</b>	Public
<b>Appendices (if any)</b>	Appendix 1: Decisions made by the Cumbria Pensions Committee on 14 March 2024 Appendix 2: Revised Responsible Investment Policy Appendix 3: Risk Register for Cumbria LGPS at March 2024

## 1. Executive Summary

- 1.1 This report summarises the work conducted, and decisions made by the Committee at its meeting held on 14 March 2024, and advises Members of other matters arising, including regulatory changes and updates to the risk register.

## 2. Recommendations

**For the reasons set out in this report, the Local Pension Board is recommended to:**

- 2.1 Note the decisions approved and other matters considered by the Pensions Committee at the meeting held on 14 March 2024 and request further information and/or feedback to the Pensions Committee as appropriate.
- 2.2 Note the 2024/25 Training Plan for Cumbria Pension Fund (including members of the Local Pension Board)

## 3. Information: the Rationale & Evidence for the Recommendations

### 3.1 Pension Committee Decisions

- 3.1.1 The Cumbria Pensions Committee is the delegated decision-making body for the Fund, and as such its decisions are of particular relevance to the Cumbria Local Pension Board. It is the role of the Board to assist the Administering

Authority of the Cumbria Local Government Pension Scheme to secure compliance with: -

- (a) The regulations covering administration of a local government pension scheme;
- (b) Other legislation relating to the governance and administration of the LGPS; and
- (c) The requirements imposed by the Pensions Regulator in relation to the LGPS.

3.1.2 The Board is also required to assist the Administering Authority to ensure the effective and efficient governance and administration of the LGPS.

3.1.3 When reports are published ahead of Pensions Committee meetings they are also made available to Board members on SharePoint which enables any questions/queries to be raised by the Board members either at or before the relevant Pensions Committee meeting.

3.1.4 The Committee received an update from the Chair of the Board noting activities at its meeting on 9 February 2024. The Chair highlighted progress against the Fund's Cyber Resilience Action Plan and suggested that further cyber security training would be a welcome addition to the Fund's training plan. The Chair also noted that the Director of Finance, People & Culture at LPPA had provided an update of service provision and pensions administration performance.

3.1.5 The Committee received the following reports which are summarised in Appendix 1 to this report:

- Responsible Investment Policy;
- Review of Investment Activity for the Quarter ended 31 December 2023;
- Review of Pensions Administration Activity for the Quarter ended 31 December 2023;
- Review of Oversight & Governance Matters (including the Fund's risk register); and
- Draft Pensions Fund Business Plan & Administration Budget 2024/25.

3.1.6 There were also presentations from Border to Coast on Investment Opportunities in Private Markets and Clare Scott (Advisor to the Fund) on the Pension Regulator's new General Code of Practice.

3.1.7 The recommendations within the papers presented to the March meeting were agreed by the Committee, other than a slight change in the wording of recommendation 2.1 at Item 11 (Investment Activity for the Quarter ended 31



December 2023 including recommendations on Investment Opportunities) where it was proposed that investment in BCPP's Climate Opportunities Fund should be on a 2:1 Ratio in respect of investment in BCPP's UK Opportunities Fund whilst recognising that investment in BCPP funds should ideally be a minimum of £30m (equivalent to c. 1% of the Pension Fund's assets). The revised recommendation was therefore that the Pensions Committee:

3.1.8 "Agrees that the Fund makes investment commitments to Border to Coast Pensions Partnership Ltd (BCPP) Private Markets 2024 private debt, infrastructure, climate and UK opportunities funds (***minimum £30m to UK opportunities and a 2:1 ratio for investment in the Climate Opportunities fund to the UK Opportunities fund***) and delegates the final decision for the exact value of commitments in the BCPP Private Markets 2024 to the Director of Resources (Section 151 Officer) having considered the Fund's cashflow analysis and liquidity requirements."

3.1.9 Having considered the cashflow analysis and liquidity requirements, the Director of Resources approved for the following investment commitments to Border to Coast Private Markets 2024 funds:

- Private Debt £75m
- Infrastructure 2C £50m
- Climate Opportunities £60m
- UK Opportunities £30m

Responsible Investment Policy:

3.1.10 As part of the Pensions Committee meeting, Members reviewed and approved a revision to the Fund's Responsible Investment (RI) Policy (presented in Appendix 2 to this report).

3.1.11 The Committee was reminded of the Fund's fiduciary duty to act in the best interests of scheme members. Investment powers must be directed to achieving what is the best for the financial position of the Fund. Provided this remains true, the precise choice of investment may be influenced by environmental, social and governance (ESG) factors, so long as that does not risk material financial detriment to the Fund.

3.1.12 Additionally, the Fund states in its investment beliefs that "*we do not believe that making investment decisions solely on non-financial grounds (e.g. ethical considerations) meets the Fund's overarching primary fiduciary duty, but do consider that being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term risk adjusted returns for investors.*"

- 3.1.13 In considering this policy, the Pensions Committee recognised the wide range of engagement with scheme members and other stakeholders to help inform the development and approval of the responsible investment policy.
- 3.1.14 This engagement included a survey of the full membership of the Fund, a round table meeting for interested parties including employers and Cumbria Divest and discussion with Pensions Committee members. The results of the survey and the minutes from the round table meeting are available on the [Fund's website](#) and were discussed prior to the Pensions Committee meeting with the Committee members.
- 3.1.15 Additionally, the Fund received letters from two scheme employers encouraging the divestment from fossil fuels whilst recognising the Fund's fiduciary duty to act in the best interests of scheme members and scheme employers. These letters were presented to the Pensions Committee as part of the body of evidence to support the decision making process to approve the RI policy.
- 3.1.16 It was clear from the engagement that there are a wide range of views associated with responsible investment. The survey of the scheme membership received over 3,300 responses with a broad recognition of the importance of maintaining a well run pension fund but, in doing so, wanting to the Fund "to invest in a world worth living in".
- 3.1.17 Members of the Committee were asked to take into account the full body of evidence including the Fund's fiduciary duty, results of the survey, the key discussion points from the round table event and also the letters received from the two scheme employers when approving the updated RI policy. This policy is presented as Appendix 2 to this report.

### **Other Matters for Consideration**

#### **3.2 Legal Breaches:**

- 3.2.1 The Fund had no breaches during the quarter that were considered sufficiently material that they would require reporting to the Pensions Regulator.
- 3.2.2 Minor breaches by employers relating to late payments of pension contributions and failure to provide the Fund with monthly member payroll data are presented in Paper 12 on this agenda.

#### **3.3 Risk:**

- 3.3.1 Risk management is a key element of good governance for any organisation. Officers of the Fund continually review and monitor risks bringing any significant emerging issues to Members' attention throughout the year, with Pensions

Committee formally reviewing these at each meeting. This quarterly review process ensures consistent and timely Member oversight of risk monitoring and thereby provides enhanced due diligence in this regard.

- 3.3.2 The current risk register at March 2024 is presented at Appendix 3. No new risks have been added nor have any risks been removed from the register during the quarter.
- 3.3.3 Further to comments at Pensions Committee in December 2023, risk 3.3 has been extended to reflect the impact that all armed conflicts around the world may have on the value of investments held by the Fund. The likelihood and impact of this risk remains unchanged.
- 3.3.4 All other risks have been reviewed with a number of minor amendments being made during the quarter for current mitigations and planned improvements in controls. Following this review, it has not been considered appropriate to amend any of the risk scores during the quarter.
- 3.3.5 There is currently one risk assessed as “red” associated with information security arrangements. Additionally, there are 4 “amber” and 12 “green” rated risks.
- 3.3.6 The investment section of the risk register will be reviewed as part of the Investment Strategy review to ensure that risks are captured appropriately and managed effectively. Further information will be presented at a future Pensions Committee meeting.
- 3.3.7 The Board have been tasked with the responsibility for undertaking any required detailed reviews of the administration and governance aspects of the risk register and feeding back to the Committee on any findings.

#### 3.4 **Data Quality:**

- 3.4.1 The Board has been tasked by the Pensions Committee with monitoring data quality improvement and actions taken to improve data quality.
- 3.4.2 Data held within Cumbria LGPS continues to be of a good quality. This is evidenced by the scoring mechanism as set out by the Pensions Regulator. The LPPA quarterly performance report provides the Pensions Regulator (TPR) data scoring information. This notes that the Scheme reported 97.7% of its common data (e.g., NI number, address etc.) and 90.1% of Scheme Specific data (e.g., employment details, contribution history etc.) was held.
- 3.4.3 The National Fraud Initiative (NFI) exercise continues to be carried out by the Fund at six monthly intervals. In January 2024, Officers were advised through the NFI of only 9 cases of the death of scheme members that were not

previously known to the Fund. These cases are currently being reviewed by LPPA.

### 3.5 **Investment management and Fund Performance:**

3.5.1 The Fund’s assets increased in value from £3,184m at 30 September 2023 to £3,292m at 31 December 2023. One year performance to 31 December 2023 is a positive 7.5%, although behind the Fund’s specific benchmark of 8.1%.

3.5.2 Performance against the Fund’s specific benchmark for 1, 3, 5 and 10 years is presented in the table below, noting that all are a positive absolute return, whilst the 1 year and 5 year performance are below the benchmarks, the 3 and 10 years performances continue to exceed the benchmarks.

	31 Dec 2023			30 Sep 2023		
	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark	Cumbria Performance	Bespoke Benchmark	Variance to Benchmark
1yr performance	7.5%	8.1%	-0.6%	3.3%	4.3%	-1.0%
3yr performance	3.8%	3.7%	0.1%	4.8%	3.8%	1.0%
5yr performance	5.7%	6.2%	-0.5%	4.6%	4.2%	0.4%
10yr performance	7.1%	6.6%	0.5%	7.1%	6.4%	0.7%

3.5.3 One matter this quarter escalated to Pensions Committee from the Investment Sub Group (ISG) and from Officers and Advisors monitoring of the investment manager and service contractors is that there will be close monitoring of how BCPP ensure continuity of service provision following the planned retirement of two key Border to Coast personnel and high levels of turnover more broadly within the company.

### 3.6 **Training:**

3.6.1 Board Members continue to be notified of relevant training events (internal and external) as and when they arise.

3.6.2 The Pensions Committee and Local Pensions Board Training Policy including the 2024/25 Training Programme is addressed at section 3.9.7 below.

3.6.3 Guidance and training material can be accessed by Board Members via the link below to the dedicated Cumbria Local Pension Board Sharepoint site:-

<https://cumbria.sharepoint.com/sites/CLGPS/Shared%20Documents/Forms/AllItems.aspx>

### 3.7 **Financial Statements & Annual Report**

3.7.1 The unaudited 2022/23 financial statements and a draft of the 2022/23 annual report were presented to Pensions Committee in September 2023. The final Annual Report was published on the Fund's website within the statutory timeframe of 1 December 2023.

3.7.2 Grant Thornton signed off the 2022/23 financial statements of the Fund on 13 February with an unqualified opinion and only minor recommendations for improvement. The published Annual Report has been updated to reflect the audited financial statements and the Auditor opinion.

### 3.8 **Stewardship Code**

3.8.1 On 21 February, the Financial Reporting Council (FRC) formally announced that Cumbria Pension Fund had retained its accreditation as a signatory to the FRC's UK Stewardship Code 2020.

3.8.2 This accreditation means that the Fund has demonstrated that it delivers responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society.

3.8.3 The Fund's Stewardship Report 2022-23 is published on the Fund's website at:

[www.cumbriapensionfund.org/resources/clgps-stewardship-report-2022-23/](http://www.cumbriapensionfund.org/resources/clgps-stewardship-report-2022-23/)

### 3.9 **Fund Policy Document Annual Review**

3.9.1 The Fund Policy document provides an up to date repository of the Fund's policies and as such it is updated when required throughout the year. In addition to this ongoing review, in accordance with best practice the Fund Policy document is also subject to a formal annual review.

3.9.2 The review identified a number of routine updates or minor corrections, for example to reflect a change to the financial year or a correction to spelling grammar or punctuation etc. Due to their trivial nature, these amendments have not been highlighted to the Committee and Local Pension Board.

3.9.3 Where more substantial amendments within the Fund Policies are required, these have been summarised below.

3.9.4 **Responsible Investment Policy:** As noted in section 3.1.10 – 3.1.17, a revised RI policy was approved by Pensions Committee. This is attached as Appendix 2 to this report.

3.9.5 **Admissions and Termination Policy:** The Fund's Admission and Termination policy has been updated to recognise that employers may join the

scheme through a “pass-through” arrangement. This was approved by the Pensions Committee and details of this arrangement are outlined in item 10 on today’s agenda.

3.9.6 **2024/25 Training Plan:** In December 2023 a training needs assessment questionnaire was sent to all Member and substitutes Members of the Pensions Committee and the Local Pension Board. The completed responses have been collated and assessed to help inform the development of the 2024/25 training plan for the Committee and Board.

3.9.7 The key training areas of training that will be focussed on in the coming year are shown below.

Training Topics
The roles and powers of organisations such as the Pensions Regulator, the Pensions Ombudsman and the Scheme Advisory Body related to the workings of the Scheme.
The impact on the Fund and BCPP of the outcome of the Government’s response to the ‘Next Steps for LGPS Pooling’ consultation.
Relationship between the Fund and its pension administrator, Local Pensions Partnership Administration (LPPA), including performance monitoring and oversight, readiness for legislative changes e.g. pension dashboards and wider developments within the organisation.
Impact of the Fund’s Investment Strategy review on its asset allocation and how transition to the revised strategy will be managed including the need for appropriate cashflows and how investment and other risks may affect the value of assets and liabilities within the Fund.
Stewardship Reporting including ESG (Environmental, Social and Governance factors) including the role of BCPP and the Fund’s membership of LAPFF (Local Authority Pension Fund Forum).
Reporting on climate metrics and progress of delivering the Fund’s responsible investment strategy.
Cyber Security awareness, understanding key risks, policies, roles and responsibilities.

3.9.8 The summary above is not an exhaustive list. In addition to the topics noted above, training sessions may be arranged as required on emerging issues which arise throughout the year.

### 3.10 **Regulatory Changes:**

3.10.1 This section of the report provides a summary for Members on recent and proposed future changes to legislation and regulations that will impact on the LGPS.

3.10.2 There have been no further regulatory changes of note that affect the LGPS since the last meeting of the Board in October. However, there are a number of matters that the Fund is maintaining a watching eye on including:

#### The Pension Regulator's General Code

3.10.3 In January, the Pensions Regulator issued its long awaited consolidated Code of Practice, now referred to as the "General Code" which came into effect on 27th March 2024.

3.10.4 The General Code covers all governance (including investment governance) and administration conduct and practices required of an LGPS fund. The Pensions Regulator has categorised the Code into five broad areas:

- The Governing Body
- Funding and investment
- Communications and disclosure
- Administration
- Reporting to TPR

3.10.5 Within each of these five areas are specific modules that apply to the running of a pension scheme - although not all apply to LGPS funds.

3.10.6 As it is a consolidation of existing Codes, many of the governance arrangements required by the General Code are already in place within the Fund. However, there are number of new features and other areas have been strengthened. For example, there are new modules on Cyber controls which will largely be met by the work undertaken by Fund over the past year.

3.10.7 Officers will be undertaking work over the coming months to assess the Fund's compliance with the General Code and developing an action plan to address an areas where the Fund is not compliant. Results from this work and the action plan will be presented to the Pensions Committee and the Local Pension Board at future meetings.

3.10.8 In addition to the General Code, the Scheme Advisory Board (SAB) issued a "Good Governance in the LGPS" report in 2021. There is inevitably a high degree of correlation between the General Code and the Good Governance in the LGPS Code and it is hoped that the SAB report will receive government support later this year.

### 3.11 **Other Governance Issues:**

#### Cyber Response Plan

3.11.1 As highlighted at the last meeting of the Local Pension Board, Officers are working with Aon to produce a data map to have clarity on how data flows through the pensions team and between its key service providers, e.g. LPPA, BCPP, Actuary etc. The Board will be updated once this has been completed.

#### Pensions Dashboard

3.11.2 The Board have previously been updated on the Pensions Dashboards Programme which is designed to allow savers to view details of all of their pensions together.

3.11.3 The Fund's administrator, LPPA, is providing a key role in the Fund's preparation for Pensions Dashboards. Their project for Pensions Dashboards has now been re-mobilised, with a Project Manager being appointed, following the issue of dashboards guidance by the LGA on 6th November 2023. LPPA are currently undertaking due diligence to select the Integrated Service Provider (ISP) that they will work with to connect to the Pensions Dashboards. They have also confirmed that data cleansing will form part of the project and recently agreed a contract with a 3rd party organisation to undertake an audit of data quality and develop a data quality strategy which will include data cleansing ahead of connection to the dashboards' ecosystem.

3.11.4 Going forward, Pensions Committee and the Local Pension Board will continue to receive a quarterly update in respect of further guidance being issued, and progress made by the Fund and LPPA towards connecting to the Pensions Dashboards Programme.

#### Exit Payment Cap

3.11.5 As previously reported to the Board, the Government intend to re-legislate to limit the amount public sector employers can pay to exit an employee from their employment. Officers are currently awaiting an update from Government on developments with the Exit Payment Cap and will brief the Pensions Committee and the Local Pension Board on the implications to the LGPS and the Fund when available.

#### Task Force on Climate-Related Financial Disclosures (TCFD)

3.11.6 As previously reported to the Board in September 2022 the Government released a consultation on the governance and reporting of climate change risks. As expected, the proposals set out in the consultation were broadly consistent with the requirements recently introduced in the private sector. Pensions Committee and the Local Pension Board will be advised further



when the resulting regulations and guidance are issued and the implications of this for the Fund, however it is expected that this will not now be released until sometime in 2024.

#### **4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)**

4.1 The purpose of the Fund is to pay Cumbria LGPS members' pension benefits in accordance with regulations and in a secure, affordable and sustainable manner over the short, medium and long term. To do this, the Fund seeks to:

- ensure that sufficient resources are available to meet all liabilities as they fall due;
- manage employers' liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
- achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

4.2 Good governance and risk management will aid the Fund in ensuring its regulatory responsibilities are met, a good service is provided to scheme members, costs are controlled, and its required investment return is achieved. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have a direct impact on the Fund Employers' revenue budgets.

#### **5. Consultation Outcomes**

5.1 There has been no consultation on this report, however it is noted that there was wide engagement associated with the development of the revised Responsible Investment policy including a survey of the scheme membership and meetings with scheme employers and Cumbria Divest.

#### **6. Alternative Options Considered**

6.1 To either note the work undertaken by the Cumbria Pensions Committee and the decisions made at their meeting on 14 March 2024 or request further information on the governance arrangements under which decisions were made by the Pensions Committee.

#### **7. Reasons for the Recommendations**

7.1 The recommendation within this report is for the Board to note the decisions made by the Pensions Committee.

## **8. Climate and Biodiversity Implications**

- 8.1 There are no specific climate and biodiversity implications relating to this report.

## **9. Legal and Governance Implications**

- 9.1 The Local Pension Board is responsible under the Constitution for assisting the Administering Authority of the Cumbria Local Government Pension Scheme in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme, including compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator. This report outlines a number of decisions and matter approved by the Pensions Committee and asks for comments regarding these from the Local Pensions Board.

## **10. Human Resources Implications**

- 10.1 There are no specific Human Resources implications relating to this report.

## **11. Financial Implications**

- 11.1 There are no financial implications associated with this report.

## **12. Equality and Diversity Implications (including the public sector equality duty, Armed Forces Veterans, Care Experienced, Rurality, and Socio-Economic Inequalities implications)**

- 12.1 There are no assessment equality and diversity implications.

## **13. Risk Implications**

- 13.1 The key risks associated with the Pension Fund are as detailed in the risk register included as Appendix 3 to this report.

## **14. Background Documents**

- 14.1 Agenda and reports as presented to the Pensions Committee on 14 March 2024. This pack is available on the [Westmorland & Furness website](#).

## **CUMBRIA PENSIONS COMMITTEE DECISIONS: 14 March 2024**

### **PART I PAPERS**

#### **Item 8 (pages 23-32): Update from the Cumbria LGPS Local Pension Board**

**Pensions Committee resolved to:-**

1. Note the update from the Cumbria Local Pension Board

#### **Item 9 (pages 33-52): Responsible Investment Policy**

**Pensions Committee resolved to:-**

1. Approve the updated responsible investment policy for the Fund.

#### **Item 11 (pages 85-100): Investment Activity for the Quarter ended 31 December 2023 (Part 1)**

**Pensions Committee resolved to:-**

1. Agree that the Fund makes investment commitments to Border to Coast Pensions Partnership Ltd (BCPP) Private Markets 2024 private debt, infrastructure, climate and UK opportunities funds and delegates the final decision for the exact value of commitments in the BCPP Private Markets 2024 to the Director of Resources (Section 151 Officer) having considered the Fund's cashflow analysis and liquidity requirements.
2. Note that having progressed through completion of the final due diligence, the final decision taken by the Director of Resources (Section 151 Officer) in consultation with the Chair and Vice-Chair was to confirm investment of the Fund's directly-held property portfolio (£160.7m as at 31 December 2023) in the Border to Coast Pensions Partnership Ltd UK Commercial Property (Real Estate) Main fund proposition. This delegation to the Section 151 Officer was agreed by Pensions Committee on 13 September 2023.
3. Receive and note the update on investment activity of the Fund for the period to 31 December 2023, and following a review of the underlying investment managers by Officers and Advisors, note there will be close monitoring regarding the recruitment to posts due to retirements of two key Border to Coast personnel to ensure continuity of service provision.
4. Agree the proposed work programme of the Investment Sub Group for the next reporting period, to include reviewing recommendations arising from the Investment Strategy Review (and the Fund's Responsible Investment policy), ahead of Pensions Committee approval in June 2024.

### **Item 12 (pages 101-164): Review of Administration Activity for the Quarter ended 31 December 2023 (Part 1)**

#### **Pensions Committee resolved to:-**

1. Receive and note the administration activity of the Fund for the period from 1 October 2023 to 31 December 2023.
2. To note the application of four employers to be admitted to the Cumbria Pension Fund; and
3. Approve revisions to the Admission & Termination Policy recognising passthrough arrangements as an alternative form of admission for admitted bodies from 1 April 2024.

### **Item 14 (pages 165-194): Review of Oversight & Governance Matters (Part 1)**

#### **Pensions Committee resolved to:-**

1. Note issues arising relating to the oversight and governance of the Fund including the updated risk register of the Fund.
2. Note that the Fund's Stewardship Report 2022/23 has been assessed by the Financial Reporting Council (FRC) as continuing to meet the requirements of the FRC's UK Stewardship Code 2020;
3. Note that an annual review of the Fund Policy Document has been undertaken; and
4. Approve the 2024/25 Learning Programme.

### **Item 15 (pages 195-212): Draft Pensions Fund Business Plan & Administration Budget 2024/25 (Part 1)**

#### **Pensions Committee resolved to:-**

1. Approve the draft Business Plan for 2024/25; and
2. Approve the draft 2024/25 budget required to administer the Cumbria LGPS of £21.318m (which has been constructed in support of the activities outlined in the draft Business Plan).

## Cumbria Pension Fund - Responsible Investment Policy

The below sets out Cumbria Pension Fund's ("the Fund") Policy which governs its approach to responsible investment (RI) and stewardship.

### Context

This policy is set in the context of the following:

- Westmorland & Furness Council became the Administering Authority of Cumbria Pension Fund on 1 April 2023;
- Wide consultation with scheme members and other stakeholders, and;
- Government's agenda for the pooling of the investment assets of the Local Government Pension Scheme in England and Wales.

With regard to the latter, the Cumbria Pension Fund is a participant in the Border to Coast Pensions Partnership ('Border to Coast'). The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Whilst the Fund retains responsibility for setting a policy stance in relation to responsible investment issues, this will be implemented in the most part by Border to Coast, who have developed a collective policy on responsible investment and associated voting guidelines in conjunction with the 11 partner funds. Our other Fund Managers also implement RI directly.

While endorsing the collective policy adopted and developed by Border to Coast in conjunction with our partner funds, the Fund, given that it retains responsibility in this area, reserves the right to act alone where the collective view does not coincide with its own in material respects.

### Beliefs

Responsible Investment as a concept is fundamental to the Fund's investment beliefs. Thus, it is a key part of "how we do investment" (and how we expect those who manage money on our behalf to do it) rather than being an add on or overlay. The Fund has adopted the following statement of its Responsible Investment beliefs:

*As long-term investors, we believe that integrating environmental, social and corporate governance ("ESG") considerations into the investment management process improves risk adjusted returns.*

- *We believe that ESG factors, such as climate change, can have a material impact on the risk profile and value of financial assets in the long term.*
- *We note the UK Government's commitment to achieve net zero by 2050 and support that as a Fund.*
- *We note that our primary investment manager (BCPP) is committed to achieving net-zero on their investment portfolios by 2050 or sooner, recognising that achievement of this is linked to central government ambitions.*

- *It is recognised that scheme employers may have their own specific net-zero targets and aims but the fiduciary duty requires the Fund's investment decisions to be in the interest of scheme members and employers.*
- *We do not believe that making investment decisions solely on non-financial grounds (e.g. ethical considerations) meets the Fund's overarching primary fiduciary duty, but do consider that being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term risk adjusted returns for investors.*
- *We believe that the best way to be a responsible investor and to influence policy change is not through divestment in the first instance but to influence through active engagement and encourage continuous improvement in respect of progress towards the ESG ambitions of the Fund.*
- *We expect our active investment managers to consider progress on shareholder engagement in their decision to continue to invest or divest in a company.*
- *We expect management teams and Boards of Directors to be responsive to their shareholders.*
- *We will lead by example by ensuring we are an active shareholder and, where appropriate, utilising the scale of collaboration with other LGPS Funds.*

This policy is set within the context of these beliefs.

## **Stewardship, Responsibility and ESG**

The primary objective of any pension fund is to ensure that its assets are able to meet its liabilities when they fall due. In order to achieve this, funds have to produce the required levels of financial return without taking on undue levels of risk (rewarded or unrewarded) whilst also operating within the relevant regulatory framework.

Evidence shows that pension funds which consider how the companies they are invested in behave in relation to environmental, social and governance issues, tend to achieve better returns. In other words, companies that are well managed and have strong governance are more likely to be successful long-term investments. This accords with the expectations in the Fund's [investment beliefs](#) and reflects our overall attitude to the stewardship of the Fund. As an active, long-term investor, we are aware that businesses that operate to high standards of corporate governance along with environmental, social and governance best practice, have the potential to protect and enhance investment returns.

The Fund is a signatory to the Financial Reporting Council's UK Stewardship Code 2020. The Code sets standards for the responsible allocation, management and oversight of capital to create long-term value leading to sustainable benefits for the economy, the environment and society. The Fund also expects Border to Coast to be a signatory to both the UK Stewardship Code and the Principles for Responsible Investment.

The Fund has also considered the views of stakeholders, principally scheme members and employers, in coming to its views in this area. While it is difficult to establish member views with precision, it is possible to distil a generic view from this research as members and employers wanting the Fund "to invest in a world worth living in" with the Fund being invested on their behalf. This provides a broad principle that underpins our beliefs in this area.

There are five major components to our Responsible Investment (RI) approach:

- 1) Stewardship: ensuring the Fund's RI expectations cover all assets and are being met through regular monitoring of investments and investment managers.

- 2) Integration: RI factors being included in investment decisions and in the analysis of the Fund's investments.
- 3) Voting: using shares to 'have a say' by voting at company meetings.
- 4) Engagement, Escalation and Exclusion: talking to companies in which it invests about issues of concern and encouraging them to adopt better practices then acting against companies where voting and engagement have not solved specific area(s) of concern. There may be specific instances where this is exhausted and the decision to sell or not invest is appropriate.
- 5) Litigation: Joining class actions, where appropriate, where activities undertaken by companies are considered to have had a detrimental effect to the value of the Fund. In the context of pooling any new litigation is likely to be undertaken by the pool company.

### Integration of RI into investment decisions

The Fund expects its investment managers and other service providers such as Border to Coast, to consider, environmental, social and corporate governance (ESG) issues when carrying out financial analysis and investment decision making. The factors considered are those which can cause financial and reputational risk, ultimately resulting in a reduction in shareholder value.

The Fund proactively engages with Border to Coast and the pool's other partner funds to influence their responsible investment policy and engagement approach.

ESG issues will be considered and monitored in relation to both internally and externally managed assets at Border to Coast. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
<ul style="list-style-type: none"> <li>• Climate Change</li> <li>• Resource &amp; energy management</li> <li>• Water stress</li> <li>• Single use plastics</li> <li>• Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Child labour</li> <li>• Supply chain</li> <li>• Human capital</li> <li>• Employment standards</li> <li>• Just transition</li> <li>• Pay conditions (e.g. living wage in UK)</li> </ul>	<ul style="list-style-type: none"> <li>• Board independence / diversity</li> <li>• Executive pay</li> <li>• Tax transparency</li> <li>• Auditor rotation</li> <li>• Succession planning</li> <li>• Shareholder rights</li> </ul>	<ul style="list-style-type: none"> <li>• Business strategy</li> <li>• Risk management</li> <li>• Cyber security</li> <li>• Data privacy</li> <li>• Bribery &amp; corruption</li> <li>• Political lobbying</li> </ul>

Officers and advisors at the Fund will maintain appropriate knowledge and skills in responsible investment and stewardship through continuing professional development, and where necessary take expert advice from suitable RI specialists to fulfil obligations and responsibilities.

Relevant training will also be undertaken by members of the Fund's Pensions Committee and Local Pension Board as part of their learning and development programme.

In addition, the Fund expects its investment managers, including Board to Coast, to have similar programmes to ensure their staff have expert knowledge and skills to analyse actual

and potential investments, including all aspects of Responsible Investment and particularly climate change.

## Voting

Voting rights are an asset to the Fund and the Fund expects its investment managers to use them carefully in every market to promote and support good corporate governance principles.

Detailed voting guidelines are developed annually by Border to Coast and agreed by the partner funds. The Fund proactively engages with Border to Coast and the pool's other partner funds to influence these.

Border to Coast appoints a specialist proxy voting advisor to provide analysis of voting and governance issues and to ensure that votes are executed in accordance with its policies and voting guidelines. The Fund appreciates that a degree of flexibility is required to reflect specific company and meeting circumstances and the voting guidelines are administered and assessed on a case-by-case basis.

A process is available to allow the Fund to vote its proportion of any shareholding in a different way to that adopted by Border to Coast should there be a difference in interpretation of the voting guidelines. The Fund retains the right to implement votes in a different way.

The Fund expects Border to Coast, where appropriate, to consider co-filing shareholder resolutions which support the long-term economic interests of shareholders and to notify the Fund in advance of doing so. Equally the Fund may encourage Border to Coast to co-file resolutions.

The Fund also monitors the execution of voting rights by all of its investment managers.

## Engagement

The Fund believes that the best way to influence companies is through engagement. As a responsible investor, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.

Meeting and engaging with companies should be an integral part of the investment process. The Fund expects its investment managers, of whatever type, to engage with companies across all markets and to report on the outcomes of such engagement.

Border to Coast uses a specialist provider to help identify issues of concern and to engage with companies across the world, covering environmental, social and governance issues. These include breaches of the UN Global Compact, a framework based on international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption. The factors considered in choosing those themes are:

- *that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;*
- *that ambitious, but achievable milestones can be set through which progress over the period can be measured.*

These factors mean that the choice of themes is driven by the material ESG risks facing the Fund and their financial materiality.

The Fund also expects its investment managers to encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the Task Force on Climate



related Financial Disclosures (TCFD) and other developing initiatives, such as the Workforce Disclosure Initiative (WDI) and Task Force on Nature Related Financial Disclosure (TNFD).

The Fund also undertakes collaborative engagement with other institutional shareholders. The Fund (along with the other ten Border to Coast partner funds and the pool Company) is an active member and supporter of the Local Authority Pension Fund Forum (LAPFF) and encourages LAPFF in its campaigns and initiatives.

The Fund engages with both Border to Coast and LAPFF to identify specific themes or areas of focus for engagement. However, different priorities of the various partner funds may result in some degree of compromise.

As a responsible investor, the Fund, through its investment managers, also engages with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

### **Escalation and Exclusion**

The Fund believes that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result, escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken by the relevant fund manager to sell the company's shares.

Aligned with the BCPP RI policy there are specific investments that the Fund supports the decision not to invest in. This includes controversial weapons therefore as a responsible investor the Fund will not invest in companies manufacturing cluster munitions, landmines, biological and chemical weapons.

The Fund will be looking for those acting on its behalf (principally Border to Coast) to set out, when launching an engagement process, the consequences of failure by companies to make progress particularly in relation to the production of clear and deliverable climate transition plans. It is expected that these consequences will include the identification of the point at which the investment case for a company is undermined to such an extent that divestment is the appropriate course of action. The Fund recognises that it cannot move on this alone given that all its listed investments are in pooled funds and will be explicitly seeking to influence its partners to agree to policies of this sort.

While endorsing the collective RI policy and approach adopted and developed by Border to Coast, in conjunction with our partner funds, the Fund, given that it retains responsibility in this area, reserves the right to act alone on escalation and exclusion decisions where the collective view does not coincide with its own in material respects.

### **Litigation**

Where assets held by the Fund are subject to individual or class action securities litigation, it will, where appropriate, participate in such litigation.

There are various litigation routes available dependent upon where the company is registered. The Fund will use a case-by-case approach to determine whether or not to participate after having considered the risks and potential benefits. The Fund in the past has used industry professionals to facilitate this. The Fund expects Border to Coast to follow a similar model.

### **Monitoring and Reporting**

The Fund monitors Border to Coast's activities for compliance with agreed policies and guidelines. The Fund undertakes this monitoring both individually and working collectively with the other partner funds within Border to Coast.

The Fund will report on its RI activities, and those of its investment managers, on a regular basis. This will be done by making the RI policy, voting guidelines and reports on activity publicly available on the Fund's website and providing links to such information provided by Border to Coast.

The Fund's, and Border to Coast's, compliance with the UK Stewardship Code is monitored on an annual basis by the Financial Reporting Council and the signatories are made public on their website.

The Fund is committed to further develop analysis and reporting of the impact of its investments in preparation for the introduction of new reporting requirements such as Taskforce on Climate Related Financial Disclosures (TCFD) and Taskforce on Nature Related Financial Disclosures (TNFD).

### **Conflicts of interest**

In the event of any potential conflict of interests, a suite of policies has been drawn up between Partner funds and Border to Coast.

In addition, the Fund will develop a specific Conflicts of Interest policy for members of its Pensions Committee, Local Pension Board and key Officers. This policy will enable those charged with governance of the Pension Fund to declare and resolve any relevant interests and relationships and help protect themselves from any accusations or perception that they have acted in an inappropriate way or based on their own interest.

### **Climate Change**

The Fund recognises the global issues and risks arising from climate change and the material impact it can have on the performance of the Fund on its assets and liabilities.

The Fund expects Border to Coast and its other investment managers to be aware of the investment risks associated with climate change and to take appropriate action to identify them and mitigate their impact, including engaging with and influencing companies.

The Fund is committed to further develop analysis and reporting of the climate metrics of the Fund's investments in preparation for the introduction of Taskforce on Climate Related Financial Disclosure (TCFD). This will also include improved reporting on investments in clean energy.

The Fund recognises that Border to Coast is committed to achieving net-zero on their investment portfolios by 2050 or sooner. Border to Coast and LAPFF also collaborate with like-minded investors and partners in initiatives such as Institutional Investors Group on

Climate Change (IIGCC) and Climate Action 100+. These should help to mitigate the climate changes risks faced by the Fund.

Following a fundamental review, this policy was agreed by the Pensions Committee in March 2024 and will be reviewed annually to ensure that it continues to reflect good practice on responsible investment, and the RI approaches adopted by our fund managers.

**March 2024**

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PENSION FUND RISKS		Q1	Q2	Q3	Q4	Target	DOT	CORPORATE RISK PROFILE (Risk Score = Likelihood x Impact)																																				
1	1.1. Information security arrangements	15	15	15	15	15	→	<table border="1"> <thead> <tr> <th>Impact Likelihood</th> <th>1 Insignificant</th> <th>2 Minor</th> <th>3 Moderate</th> <th>4 Major</th> <th>5 Most severe</th> </tr> </thead> <tbody> <tr> <td>5 V. Likely</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4 Likely</td> <td></td> <td>2.4</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3 Possible</td> <td></td> <td>2.3</td> <td>1.2; 3.3; 3.4</td> <td>3.5</td> <td>1.1</td> </tr> <tr> <td>2 Unlikely</td> <td></td> <td>1.3; 1.6; 2.5</td> <td>1.4; 3.2</td> <td>1.5; 2.2; 3.1</td> <td></td> </tr> <tr> <td>1 V. Unlikely</td> <td></td> <td></td> <td></td> <td>2.6</td> <td>2.1</td> </tr> </tbody> </table>	Impact Likelihood	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Most severe	5 V. Likely						4 Likely		2.4				3 Possible		2.3	1.2; 3.3; 3.4	3.5	1.1	2 Unlikely		1.3; 1.6; 2.5	1.4; 3.2	1.5; 2.2; 3.1		1 V. Unlikely				2.6	2.1
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2	1.2. Pensions administration processes	9	9	9	9	6	→																																					
3	1.3. Scheme member communication	4	4	4	4	4	→																																					
4	1.4. Data quality	6	6	6	6	3	→																																					
5	1.5. Payment of contributions	8	8	8	8	8	→																																					
6	1.6 Scam Detection & Prevention	4	4	4	4	4	→																																					
7	2.1. Risk of significant regulatory breach	5	5	5	5	5	→																																					
8	2.2. Regulatory changes	8	8	8	8	8	→																																					
9	2.3. Financial irregularity	6	6	6	6	6	→																																					
10	2.4 Loss of key personnel	8	8	8	8	4	→																																					
11	2.5. Conflicts of Interest	4	4	4	4	4	→																																					
12	2.6 Operational interruption	8	4	4	4	4	→																																					
13	3.1 Investment performance	8	8	8	8	8	→																																					
14	3.2 Availability of investment opportunities	6	6	6	6	6	→																																					
15	3.3 Impact of Armed Conflicts	9	9	9	9	9	→																																					
16	3.4 Inflation	9	9	9	9	9	→																																					
17	3.5 Climate Change	12	12	12	12	12	→																																					
								<b>Summary of risk changes since last report to Pensions Committee</b>		<b>Emerging Risks</b>																																		
								<b>New risks added in Q4:</b> <ul style="list-style-type: none"> <li>None, but risk 3.3 extended to include the impact of all armed conflicts on the Pension Fund.</li> </ul>		<ul style="list-style-type: none"> <li><b>Biodiversity loss:</b> refers to the decline or disappearance of biological diversity, understood as the variety of living things that inhabit the planet and it can have direct human health impacts, affecting livelihoods, income and local migration. Biodiversity loss is considered to be caused by five primary drivers: habitat loss, invasive species, overexploitation (hunting / fishing), pollution and climate change associated with global warming. Although the scale and extent is not yet clear and could be influenced by many factors including future regulatory changes, the Pension Fund recognises that biodiversity loss should be acknowledged as a key emerging risk.</li> </ul>																																		
								<b>Risks removed in Q4:</b> <ul style="list-style-type: none"> <li>None</li> </ul>																																				
								<b>Risk Score Changes in Q4:</b> <ul style="list-style-type: none"> <li>None.</li> </ul>																																				

# CUMBRIA LGPS & PENSION BOARD RISK REGISTER (March 2024)

## 1. Scheme Administration

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
1.1	Fund & LPPA  Senior Manager	<p><b>Information Security Arrangements</b></p> <p>There is a risk that the Council will experience a significant information security incident.</p> <p>Caused by a concerted cyber attack on Council or LPPA systems, inadequate information security arrangements, lack of training, awareness or human error.</p> <p>Resulting in partial or total interruption to service delivery to scheme members, scheme employers, Fund Officers or LPPA.</p> <p>Disclosure of personal data or a data breach leading to financial penalties, liability claims and reputational damage.</p>	<p>15 (5x3)  DOT  ➔</p>	<p>15 (5x3)</p>	<p><b>Cumbria Pension Fund :</b></p> <ul style="list-style-type: none"> <li>Westmorland &amp; Furness Council maintains a detailed Corporate Risk Register including the risk associated with Information Security Arrangements. The Fund adheres to the controls and measures in place detailed within the Corporate Risk Register.</li> <li>All staff within the team have completed the Information Security and Data Protection e-learning training which is renewed on an annual basis.</li> <li>The Fund is compliant with the requirements of the Data Protection Act 2018 (DPA18).</li> <li>Any data breaches by officers within the Fund are reported through the Council's data breach processes and also recorded on the Fund's breach register.</li> </ul> <p><b>Cumberland Council – Corporate Risk</b></p> <ul style="list-style-type: none"> <li>In the event of systems being interrupted, Cumberland Council, as the host for IT Services, will implement the relevant Business Continuity Plan to ensure service continuity in a timely manner.</li> <li>Information security controls within the Council have strengthened and have been independently assessed in the following areas through internal audits and annually through PSN accreditation.</li> <li>All National Cyber Security Centre (NCSC) configuration guidance is adhered to where</li> </ul>	<p><b>Cumbria Pension Fund:</b></p> <ul style="list-style-type: none"> <li>All staff, elected Members and Pension Board members are required to complete on-line data security training with a new module launched for 2023/24.</li> <li>AON have undertaken a review of the Fund's cyber security and its readiness for a cyber incident and an action plan developed to address the findings from the review to further enhance cyber security arrangements. Progress against this action plan is being monitored by the Local Pension Board.</li> <li>Specific actions from the action plan include the development of cyber hygiene guidelines for Committee and Board Members and Officers of the Fund, and a Cyber Incident Response Plan to be clear on actions should an incident occur.</li> </ul> <p><b>Cumberland Council:</b></p> <ul style="list-style-type: none"> <li>From 1 April 2023, ICT Services for the Fund are hosted by Cumberland Council with a seamless continuation of information security / cyber security controls from the legacy Cumbria County Council.</li> </ul>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
39					<p>appropriate and assured as part of the PSN process.</p> <ul style="list-style-type: none"> <li>All NCSC cyber monitoring tools are implemented.</li> <li>In the event of a Cyber Attack the Administering Authority will notify the appropriate government agencies (including Action Fraud, National Cyber Security Centre (NCSC) and the Department for Levelling Up, Housing and Communities (DLUHC)) and their guidance will be adhered to. The Fund would never make any payment to a third party claiming responsibility for breaching the Fund's security arrangements.</li> <li>Additionally Cumberland Council CC continue to work proactively with the Northwest Warning and Reporting Point (NW WaRP) in Manchester.</li> </ul> <p><b><u>Local Pension Partnership Administration (LPPA):</u></b></p> <ul style="list-style-type: none"> <li>Cyber security risks and controls in place</li> <li>Following the introduction of UPM (pensions administration software) services are backed up to the Cloud in Azure. Disaster recovery plan is tested twice yearly.</li> <li>Networks protected by fire walls to prevent unauthorised access. Intrusion Prevention Systems are in place and penetration tests are completed annually.</li> <li>LPPA has achieved Cyber Essentials Plus certification.</li> <li>LPPA's 'Secure-Score' has been implemented primarily delivered through: <ul style="list-style-type: none"> <li>Increased monitoring alerts and notifications of cyber security events, through use of Microsoft Identity monitoring &amp; Cloud Application Security tooling.</li> </ul> </li> </ul>	

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
					<ul style="list-style-type: none"> <li>• Introduction of control policies which manage detection of unsanctioned applications.</li> <li>• Reviews of administrative privileges &amp; compliance to Multi Factor Authentication (MFA) Policies.</li> <li>• LPPA have achieved ISO27001 (an international standard for information security). Previously this was held at a LPP group level.</li> </ul>	
1.2 40	Fund & LPPA  Senior Manager	<p><b>Pensions' Administration Processes</b></p> <p>There is a risk of delays in scheme members entering into pension or receiving other services from the Fund in an untimely manner.</p> <p>Caused by organisational restructure within LPPA, personnel changes and the need for retraining or reduced staffing levels.</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations.</p>	<p>9 (3x3)</p> <p>DOT</p> <p>➔</p>	<p>6 (3x2)</p>	<p>Formal agreement in place with Lancashire County Council for the discharge of pension administration functions through Local Pensions Partnership Administration (LPPA). This confirms Lancashire will exercise the same skill, care and diligence they would apply to the discharge of their own functions in relation to the administration of pensions.</p> <p>Formal quarterly meetings of LPPA and Cumbria LGPS officers to review and consider standards of service provision against LPPA internal performance targets. The Fund are currently undertaking enhanced monitoring due to issues with performance within LPPA particularly associated with the management of retirement and bereavement cases. This performance resulted in the "likelihood" risk score being increased from 2 ("unlikely") to 3 ("possible") in March 2023.</p> <p>Regular (at least quarterly) meeting of operational group and ongoing dialogue with officers at LPPA throughout the year. LPPA host an annual Client Forum providing officers the opportunity to engage with representatives from other Funds. The last meeting was held in September 2023.</p>	<p>Officers continue to closely review LPPA performance specifically with regard to the experience received by scheme members.</p> <p>Officers continue to give specific consideration to LPPA's transition to a new software provider for pension administration services ("Project PACE") implemented for Cumbria Pension Fund in December 2022. The Managing Director of LPPA presented to Pensions Committee on developments in June 2023 and will attend the Committee again in June 2024.</p> <p>Regular meetings are currently being held between the Fund and LPPA to understand the risks that Project PACE continues to present and how these are mitigated.</p>



Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
41					<p>A Senior Manager from LPPA attends all Cumbria Local Pension Board meetings and provides an update on performance and areas for development.</p> <p>LPPA advise Officers of any internal audits undertaken that impact upon the Cumbria Fund and any actions taken to address key findings from the audits.</p> <p>LPPA also maintains its own internal audit programme and advise Officers of the findings of these reports.</p>	
1.3	Fund & LPPA  Senior Manager	<p><b>Scheme Member Communication</b></p> <p>There is a risk that scheme members will not receive adequate and timely communication from the Fund.</p> <p>Caused by not having an effective Communication Strategy in place or engagement strategy or inaccurate / incomplete data</p> <p>Resulting in customer dissatisfaction with the service, reputational damage and breaches of law or regulations (e.g. the Pension Regulator's Code of Practice 14).</p>	<p>4 (2x2)  DOT  ➔</p>	4 (2x2)	<p>The Fund's Communication Policy details the process by which it will communicate with members of the Scheme. This policy is reviewed at least annually.</p> <p>The PensionPoint portal is a key mechanism through which LPPA communicates with members and work is ongoing to increase the percentage of members signing up to this.</p> <p>98.2% of 2023 Annual Benefit Statements (ABS) were issued in advance of the statutory deadline of 31 August 2023.</p>	<p>LPPA produce annual newsletters for active, deferred and pensioner members including details of the pension scheme and specific information of relevance to members.</p> <p>PensionPoint is being promoted by LPPA, the Fund and some Scheme employers to encourage take up of this online self-serve pensions tool.</p> <p>The Fund, with assistance from LPPA, wrote to all members during Q1 of 2023 to inform them how Local Government Reorganisation in Cumbria will affect them. These communications were tailored to active, deferred and pensioner members. Reminder communications have been issued by Cumberland Council and Westmorland &amp; Furness Council as the 12 month deadline for aggregation of pension records expires on 1 April 2024.</p> <p>Cumbria Pension Fund has its own dedicated website. This contains information on the LGPS, as well as how the Fund is managed. Up to date scheme</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
						member news is also provided, as well as documents for members to download and links to useful websites such as LPPA.
1.4	Employers and Fund  Senior Manager	<p><b>Data Quality</b></p> <p>There is a risk that member data is incomplete or inaccurate.</p> <p>This could be caused by poor internal controls within the Fund and scheme employers with information not being passed to LPPA in a timely manner.</p> <p>This could result in having an adverse impact for scheme members such as through the late / inaccurate production of Annual Benefit Statements and may lead to increased complaints and appeals. Additionally this risk could impact upon estimates used within the Triennial Valuation of the Fund which then impacts onto employer contributions.</p>	<p>6</p> <p>(3 x 2)</p> <p>DOT</p> <p>➔</p>	<p>3</p> <p>(3 x 1)</p>	<p>Internal audit work undertaken on LPPA controls to provide assurance that internal controls over the operation and administration of Cumbria's data are adequate and effective (annually).</p> <p>Monthly reconciliation by Officers of employer contributions to data submitted by employers.</p> <p>Quarterly LPPA key performance indicators include measures of timeliness of update of records.</p> <p>Employer responsibilities are set out in the Administration Policy and this is regularly reinforced by officers through a range of communication channels.</p> <p>Regular (quarterly) review of the Pensions Regulator's Common Data and Conditional Data scores as included within LPPA's quarterly report presented to each Pensions Committee and Local Pension Board.</p>	Any planned improvements to data quality are reviewed and scrutinised on a quarterly basis by the Local Pension Board as requested by the Pensions Committee.
1.5	Employers & Fund  Senior Manager	<p><b>Payment of contributions</b></p> <p>There is a risk that employers fail to pay contributions (or the correct level of contributions) into the scheme.</p> <p>This could be caused by employer error, business failure</p>	<p>8</p> <p>(4 x 2)</p> <p>DOT</p> <p>➔</p>	<p>8</p> <p>(4 x 2)</p>	<p>Monthly monitoring of contribution payments by employer to ensure contributions received are timely and accurate. This reconciliation is considered as part of the annual audit process.</p> <p>Late payments are reported to Pensions Committee and the Local Pension Board at each quarterly meeting.</p>	<p>Monitoring and reconciliation of contributions continue to be undertaken monthly and a full reconciliation is completed and checked as part of the year end process.</p> <p>Where appropriate, guarantees will be called in to ensure all contributions are appropriately collected by the Fund.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		<p>or the general impact of increases in employer contribution rates</p> <p>This could result in a financial loss the Fund which may impact on all other employers, and may constitute a breach reportable to the Pensions Regulator.</p>			<p>New admission bodies to the Fund are required to be backed by a guarantee or a bond to secure both pension contributions and any net liabilities should an admitted body enter into bankruptcy or be otherwise unable to fulfil their obligations to the Fund.</p>	
1.6 43	Employers & Fund  Senior Manager	<p><b>Scam Detection &amp; Prevention</b></p> <p>There is a risk that a Scheme Member could be the victim of fraud.</p> <p>This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme.</p> <p>This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>➡</p>	<p>4</p> <p>(2 x 2)</p>	<p>The Fund complies with the Code of Good Practice and the Pensions Regulator's guidance.</p> <p>Pension transfers requests are reviewed against a "Safe list" of pension providers, known to be legitimate, whilst ensuring the transfer is not to a cloned company.</p> <p>Due diligence checks and forms provided by the Local Government Association are used to request detailed due diligence for pension providers not on the Safe List.</p> <p>Where necessary LPPA will undertake further checks at Companies House, HMRC, checking the receiving pension provider's Scheme rules.</p> <p>LPPA was the first organisation to join the Pension Scams Industry Group's (PSIG's) Pension Scams Industry Forum (PSIF). The forum is held on a monthly basis to share knowledge of schemes, companies and individuals of concern, and forms a "crucial part" of the work undertaken by PSIG. The forum is used to help identify and track the techniques and approaches of scammers and how they are evolving. Findings from the forum are</p>	<p>The existing procedures are considered appropriate to mitigate the risk of a scheme member being the victim of fraud through the transfer out of their pension.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
					shared with regulators and the police through representation on Project Bloom.	

## 2. Governance & Regulation

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
45 2.1	Fund Senior Manager	<p><b>Risk of Significant Regulatory Breach</b></p> <p>There is a risk that the Fund commits a serious regulatory breach.</p> <p>This could be caused by the Fund failing to advise the Regulator of regulatory matter (e.g. reporting a breach, submitting the Scheme Return) or failing to implement new regulations.</p> <p>This could result in intervention by the Pensions Regulator and a detrimental effect to the service being provided to scheme members and employers. It could also result in serious reputational implications for the Fund and potentially a financial penalty.</p>	<p>5 (5x1) DOT →</p>	<p>5 (5x1)</p>	<p>The Fund is appropriately resourced with well trained and knowledgeable staff who understand their regulatory obligations to the Pensions Regulator and other statutory bodies.</p> <p>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Senior Manager ensures that staff take the time to consider upcoming deadlines and prioritise workloads accordingly.</p> <p>The Fund has good contacts with other LGPS Funds, the LGA, CIPFA and other bodies to ensure that it is aware of changing regulations and their impact to the Fund.</p> <p>The Pensions Committee and Local Pension Board are advised on new regulations and emerging issues at each meeting.</p>	<p>Officers will continue to “horizon scan” to understand emerging issues that may have an impact on the future of the Fund. Where appropriate, the Pensions Committee and Local Pension Board will continue to be appraised of any emerging issues.</p> <p>The Fund develops an annual training plan based on assessed skill gaps for officers and members of the Pensions Committee and Local Pension Board.</p> <p>Officers continue to arrange for training to be available to all members (including substitutes) of the Pensions Committee and Local Pension Board throughout the year to ensure that Members have the appropriate skills and knowledge to take informed decisions at each meeting.</p>
2.2	Fund Senior Manager	<p><b>Regulatory Changes</b></p> <p>There is a risk that the LGPS is mandated to invest in particular markets or risks that may otherwise impact onto the sovereignty of the Fund.</p> <p>This may be caused by government policy or amendments to regulations.</p>	<p>8 (4 x 2) DOT →</p>	<p>8 (4 x 2)</p>	<p>Officers of the Fund respond to government consultations where relevant to help influence policy.</p> <p>Where relevant, the Fund will support lobbying or lobby directly to ensure that its voice is heard in the development of national policy.</p> <p>Officers within the Fund ensure that they are aware of impending amendments to regulations and advise Pensions Committee and the Local Pension Board</p>	<p>Officers of the Fund will continue to monitor the LGPS environment to be aware of any potential changes to the scheme.</p> <p>Where appropriate, officers will draft responses to consultations affecting the Fund and, where possible, consult with the Chair of the Pensions Committee before submission.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		This may result in the funding level of the Fund being affected which could materially impact employer contributions.			(and, where relevant, employers and scheme members) in a timely way as to any amendments and their impact to the Fund.	The Fund is currently reviewing its Investment Strategy with a revised policy due to be considered by Committee in June 2024. This revised Investment Strategy will take into account the recommendations from the Government's proposals for the future of LGPS investments as detailed in " <a href="#">LGPS: Next Steps on Investments</a> "
2.3 46	Fund Senior Manager	<p><b>Financial Irregularity</b></p> <p>There is a risk of fraud, fraudulent behaviour, or unintentional overpayments. Additionally, there is the risk of financial loss due to corporate activities in companies that the Fund has equity holdings in.</p> <p>This may be caused by fraudulent activity unintentional overpayments, or misunderstanding.</p> <p>Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council.</p>	<p>6 (2 x 3) DOT →</p>	<p>6 (2 x 3)</p>	<p><b>Fraudulent Activity</b> – Active participation in the National Fraud Initiative (NFI) and mortality screening every 6 months reduces likelihood of unidentified deaths and fraudulent pension claims.</p> <p>Segregation of duties and a delegated scheme of authority minimises the risk of fraud within the Fund.</p> <p><b>Unintentional overpayments</b> – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a benefactor has unintentionally benefited from the Fund, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances, officers act compassionately whilst still protecting the assets of the Fund.</p> <p><b>Tax and class action recoveries</b> – Fund has specialist providers for key recovery areas such as tax and class actions.</p>	<p>In January 2024, Officers were advised through the NFI of 9 cases of the death of scheme members that were not previously known to the Fund. These cases are all being reviewed with any overpayments being reclaimed.</p> <p>Note: cases identified through the NFI do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies.</p>
2.4	Fund Senior Manager	<p><b>Loss of key personnel</b></p> <p>There is a risk that the Fund may lose key personnel.</p>	<p>8</p>	<p>4 (2 x 2)</p>	<p>The Fund is appropriately resourced and has effective arrangements in place to cover for short term absence. Managers consider succession planning for key staff within the team.</p>	<p>In recognition of the turnover in the membership of the Pensions Committee and Local Pension Board from April 2023, the scoring of this risk was increased in December 2022 to reflect the loss of accumulated knowledge of previous Members. As detailed in risk</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
47		<p>This risk could be caused by staff retiring, moving on or otherwise being on long-term absence. Similarly the risk could be impacted by turnover with Committee and Board membership.</p> <p>This could result in an erosion of skills and knowledge within the Fund</p>	<p>(2 x 4)</p> <p>DOT</p> <p>➔</p>		<p>A comprehensive skills needs assessment is undertaken each year for all Officers and members of the Pensions Committee and Local Pension Board and a training plan is developed to address any areas for improvement. The 2023/24 Skills Audit is due to be issued in December.</p> <p>Key processes are documented mitigating the risk of loss of knowledge from key staff leaving or being unavailable.</p> <p>The Fund has recourse to the independent expertise of two advisors and has the resource to procure additional external support as required.</p>	<p>2.1 a detailed training plan has been developed to ensure new members have the skills to make informed decisions for the Pensions Fund. This training plan will continue to be reviewed to ensure Members have the appropriate skills and knowledge to make informed decisions.</p> <p>The skills and knowledge of new members onto the Pensions Committee has developed over the past year which might have led to a reduction in this risk score. However, other factors have resulted in the risk score remaining higher than target.</p> <p>Clare Scott, one of the Fund's Advisors, has recently given notice that she will be leaving the Fund after the revised Investment Strategy is approved. Consideration is currently being given as how this advisory role will be filled in the future.</p> <p>The vacant Senior Manager role within the Pension Fund has been recruited to with the successful applicant due to start with the Fund in June 2024.</p> <p>A recruitment process is currently underway to appoint a new Finance Manager – Governance &amp; Responsible Investment to the team.</p> <p>Additional capacity is currently supporting the team on the delivery of the Responsible Investment review and the Investment Strategy review.</p> <p>Other temporary support has been brought into the team and some roles have been realigned to account for other long term absence and work priorities across the team.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
						The staffing structure of the team will continue to be monitored by the Director of Resources and Senior Manager and, where appropriate, actions will be taken to ensure the Fund is operating effectively.
2.5	Fund  Senior Manager	<p><b>Conflicts of interest</b></p> <p>There is a risk that conflicts of interest in the governance of the Fund may detrimentally affect decision making.</p> <p>This could be caused by those involved with the governance of the Fund being influenced by interests outside of the Fund.</p> <p>This could result in decisions being taken that are detrimental to the Fund and/or financial loss, legal challenge or reputational damage.</p>	<p>4</p> <p>(2 x 2)</p> <p>DOT</p> <p>➡</p>	<p>4</p> <p>(2 x 2)</p>	<p><b>Pensions Committee:</b> All Committee members with voting rights have signed up to their respective Council's Code of Conduct which covers registration of interests. Disclosure of interests is a standing item on the Pensions Committee agenda.</p> <p><b>Local Pension Board:</b> all members have signed up to the Board's Code of Conduct and Conflicts of interest policy (which are aligned to those of the Council). At each meeting, members are asked to disclose any changes to their situation.</p> <p>All interests are recorded and published on the Council's website.</p> <p>If appropriate, legal advice can be sought as to any potential conflicts of interest within the Fund.</p>	<p>A specific Conflicts of Interest policy for the Pension Committee and Local Pension Board is being presented to this Committee for implementation effective from 1 April 2024.</p> <p>Any potential conflicts of interest are declared at the commencement of each meeting and these are declarations are included in the minutes of each meeting.</p> <p>All members of the Local Pension Board and Pensions Committee are aware of how to manage potential conflicts. If there is doubt members of the Board and Committee may seek advice from the respective Chair or the Administering Authority's Monitoring Officer.</p> <p>The Fund will review statutory guidance or amended Regulations arising from the Good Governance Review to ensure it continues to fully comply with its obligations to report on potential conflicts within the Fund.</p>
2.6	Fund & LPPA  Senior Manager	<p><b>Operational Interruption</b></p> <p>There is a risk that an operational interruption may impact onto the Fund.</p> <p>This could be caused by IT failure / fire / flood / extreme weather</p>	<p>4</p> <p>(4 x 1)</p> <p>DOT</p>	<p>4</p> <p>(4 x 1)</p>	<p><b>Westmorland &amp; Furness Council (W&amp;FC):</b> Business continuity procedures are in place for the scheme manager (W&amp;FC). These are tested corporately in accordance with W&amp;FC policies and procedures.</p> <p><b>Administration (LPPA):</b></p>	<p>The existing procedures are considered appropriate to mitigate the ongoing risk of conflicts of interest but this position will be kept under review. Where weaknesses are identified, these will be addressed to improve the Fund's preparedness for operational interruption.</p>

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Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		<p>events significant staff absence etc.</p> <p>This could result in the Fund not being able to operate effectively.</p>			LPPA have business continuity procedures in place for Pensions administration. These are reviewed by Lancashire County Council's emergency planning services which provide a QA function by in respect of individual service plans.	

### 3. Investments

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
3.1	Fund  Senior Manager	<p><b>Investment performance</b></p> <p>There is a risk that investment performance is lower than that assumed in the actuarial valuation.</p> <p>This could be caused by financial market performance being less than assumed and / or underperformance from the Fund's investment managers and / or environmental / social / governance issues impacting adversely on investments.</p> <p>This could result in a material increase in employer contributions at the next triennial valuation.</p>	<p>8 (4 x 2) DOT →</p>	<p>8 (4 x 2)</p>	<p>Investment Strategy:</p> <ul style="list-style-type: none"> <li>The Fund has an Investment Strategy Statement (ISS), including its policy on responsible investing. The Investment Strategy is currently under review and a revised Responsible Investment policy is presented to the Committee under Item 9 of today's agenda.</li> <li>The ISS outlines the Fund's investment strategy, and how the investment risk and return issues have been managed relative to the Fund's investment objectives</li> <li>Adherence to the Fund's Investment Strategy ensures that the assets of the Fund are invested in a diverse portfolio of investments. This helps to reduce the risk of market movement having a direct impact on the value of the Fund.</li> <li>The Investment Strategy is regularly reviewed and advice taken from investment consultants, and the Fund's independent advisors, working with the Actuary.</li> </ul> <p>Due Diligence on and monitoring of investments:</p> <ul style="list-style-type: none"> <li>Potential new investments are closely scrutinised by officers and Fund Advisors to assess if the product meets the investment criteria of the Fund (including risk and forecast return).</li> <li>Potential new investments are proposed to the Investment Sub Group and are then presented to Pensions Committee for further consideration and a funding decision.</li> <li>The Fund's investments are subject to regular monitoring, with Fund performance reported in detail to the Investment Sub Group and at a</li> </ul>	<p>A certain level of investment risk is needed to achieve the return needed to ensure employer contribution rates are affordable.</p> <p>The existing procedures are considered appropriate to mitigate the risk that market movement or investment failure may impact materially onto employer contribution rates.</p> <p>Investment risks will be considered as part of the review of the Investment Strategy Statement in early 2024.</p>

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			(Impact x Likelihood)			
					<p>higher level to the Pensions Committee and Local Pension Board on a quarterly basis.</p> <p>Currency:</p> <ul style="list-style-type: none"> <li>• During 2021 the Fund – in conjunction with it's Independent Advisors and an Investment Consultant (ISIO) - undertook a review of its approach to currency hedging. This concluded that: <ul style="list-style-type: none"> <li>○ Public equity investments denominated in overseas currencies should be unhedged as it is considered preferable in terms of providing diversification during extreme market environments, and also in avoiding the inherent cost and governance burden involved in maintaining the hedge.</li> <li>○ Active management of listed equity involves consideration of currency risk on overall return, and the rationale for hedging this element of the portfolio is less strong now that a substantial amount of the Fund's listed equity is actively managed rather than passive.</li> <li>○ The Fund hedges currency exposure on other lower risk assets where practical and possible.</li> </ul> </li> </ul> <p>Responsible Investing (RI):</p> <ul style="list-style-type: none"> <li>• The Fund is committed to being a responsible owner and believes that RI, incorporating environmental, social and governance (ESG) factors into investment decisions, can help to improve the long term value for investors.</li> <li>• It considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks.</li> </ul>	

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
52					<ul style="list-style-type: none"> <li>The Fund believes that the best way to be a responsible investor and to influence policy change is not through divestment but through active engagement.</li> <li>The Fund considers that, by exerting pressure as an investor, it can bring more influence on companies than it could by boycotting specific sectors from its investment strategy.</li> <li>Actuarial tools: LGPS regulations provide Funds such as Cumbria with mechanisms to smooth changes to employer contribution rates for certain employers if required. Further detail of this is set out in the Fund's Funding Strategy Statement (FSS).</li> </ul> <p>Details of the Fund's investments (including its approach to currency hedging, its FSS and its ISS) are provided in the Fund's Annual Report available on-line.</p>	
3.2	Fund Senior Manager	<p><b>Availability of Investments Opportunities</b></p> <p>There is a risk that there are insufficient opportunities available to the Fund to fully implement its investment strategy.</p> <p>This could be caused by Border to Coast Pensions Partnership Ltd (BCPP) not offering suitable sub-funds to enable the Investment Strategy to be implemented in a timely manner.</p> <p>This could result in the Fund not being able to fully implement the</p>	6 (3 x 2) DOT →	6 (3 x 2)	<p>The Investment Strategy Statement sets out the asset classes that the Fund is prepared to invest in. A revised strategy was approved by the Pensions Committee in December 2019 and this was subsequently updated in March 2021.</p> <p>The Fund is working with BCPP to ensure that appropriate sub-funds are available to be able to fully implement the current Investment Strategy.</p> <p>It has been recognised that some elements of the revised Strategy will take time to implement. It has therefore been agreed that, where target asset classes take time to invest, the amounts destined for these assets are temporarily invested in an interim strategy which more closely reflects the agreed</p>	<p>The existing relationship with BCPP is considered appropriate to mitigate the risk that insufficient investment opportunities will be available for the Fund to fully implement its Investment Strategy.</p> <p>The Fund's Investment Strategy will be reviewed over the next quarter taking into account the outcomes of the 2022 valuation of the Fund.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		investment strategy in a timely manner.			target Strategy. This will result in achieving a lower risk position more quickly.	
3.3	Fund  Senior Manager	<p><b>Impact of Armed Conflicts</b></p> <p>There is a risk that events such as the Russian invasion of Ukraine or the conflict in Gaza may create turbulence in the investment markets and negatively impacts on assumptions used by the actuary as part of the 2025 valuation which, in turn, could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by global market turbulence having a significant negative effect on the Funding Value of the Fund and individual employers or by a review of assumptions used by the Actuary in calculating the 2025 valuation.</p> <p>This could result in employer contribution rates increasing at the 2025 valuation or the Actuary proposing a mid-term adjustment to contribution rates before the 2025 valuation.</p>	<p>9</p> <p>(3 x 3)</p> <p>DOT</p> <p>➔</p>	<p>9</p> <p>(3 x 3)</p>	<p>In order to protect Fund solvency and the affordability of employer contribution rates, the Fund seeks to dampen investment risk and deliver stable investment returns over the longer-term by investing in a diverse portfolio of assets.</p> <p>The Fund's direct holdings in areas of the world experiencing armed conflict are low (&lt;1%) however it is recognised that these conflicts may impact more widely on global investment markets, e.g. due to the impact on fuel and food prices.</p>	The Fund will continue to monitor geo-political events and the impact these have on markets affecting the Fund.
3.4	Fund	<b>Inflation</b>				

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
54	Senior Manager	<p>There is a risk that increased inflation may impact on liabilities which could impact onto employer contribution rates payable to the Fund.</p> <p>This could be caused by a forecast of sustained high levels of inflation both in the UK and globally having a significant negative effect on the Funding Value of the Fund and individual employers or by a review of assumptions used by the Actuary in calculating the 2022 valuation.</p> <p>This could result in employer contribution rates increasing at the 2022 valuation or the Actuary proposing a mid-term adjustment to contribution rates before the 2025 valuation.</p> <p>In addition, there is a risk of divergence between assumed inflation in the actuary's assumptions and actual inflation in the years following the 2022 valuation.</p> <p>This would have the effect of increasing the Fund's liabilities, thereby potentially impacting the funding position as well as the knock-on potential impact on employer contributions at or prior to the 2025 valuation.</p>	<p><b>9</b></p> <p><b>(3 x 3)</b></p> <p><b>DOT</b></p> <p><b>➔</b></p>	<p><b>9</b></p> <p><b>(3 x 3)</b></p>	<ul style="list-style-type: none"> <li>Investment strategy reviews held at least every three years consider inflation risks and protection from different asset classes. Index linked gilts provide protection. Some other assets have some inflation linkage e.g. property, infrastructure and debt.</li> <li>Investment strategy is very diversified.</li> <li>Actuarial valuation uses discount rate linked to inflation to reduce short-term volatility of funding level and employer contributions.</li> <li>Quarterly funding updates and regular liaison with Actuary.</li> </ul>	<p>Mitigations of the risk of high short-term inflation have been considered in the 2022 actuarial valuation including:</p> <ul style="list-style-type: none"> <li>Allowance in liabilities for 2023 pension increase;</li> <li>Review of assumption(s); and</li> <li>Use of funding buffers to give greater stability in employer contribution rates.</li> </ul> <p>Inflation risk will be considered as part of the review of the Investment Strategy Statement.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
3.5	Fund  Senior Manager	<p><b>Climate Change</b></p> <p>There is a potential for Climate change to impact global financial markets and investment assets, impacting the value and investment performance of the Fund.</p> <p>Climate change risk can be grouped into two categories:</p> <ul style="list-style-type: none"> <li>Physical risks arising from changes in weather that impact on the economy; and</li> <li>Transition risks arising from the transition to a low carbon economy.</li> </ul> <p>Both of these could result in:</p> <ul style="list-style-type: none"> <li>Financial market performance being less than expected and / or underperformance from the Fund's investment managers; and</li> <li>Societal and economic shifts towards a low-carbon future, which can be linked to policy and regulatory changes, technological risks and stranded assets – and ultimately lead to reputational and legal risks for the Fund.</li> </ul> <p>This could result in a material increase in employer</p>	<p>12</p> <p>(4 x 3)</p> <p>DOT</p> <p>➔</p>	<p>12</p> <p>(4 x 3)</p>	<p>Investment Strategy:</p> <ul style="list-style-type: none"> <li>Many of the current controls and measures in place detailed within Risk 3.1 (Investment Performance) are relevant to the Fund's approach to managing the risk from Climate Change.</li> <li>The Fund's Investment Strategy Statement and its Stewardship Report set out how the Fund incorporates Environmental, Social and Governance (ESG) factors including climate change into the investment process.</li> <li>ESG factors, such as climate change can have a material impact on the value of financial assets in the long term. Being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term value for investors.</li> <li>The Fund considers it appropriate to have a diverse portfolio of assets that can maximise return whilst seeking to mitigate investment risks and it believes that the best way to be a responsible investor and to influence policy change is not through divestment or boycotting specific sectors but through active engagement.</li> </ul>	<p>The Fund responded to the DLUHC consultation on Governance and Climate Risk Reporting in November 2022. Regulations in response to this consultation are expected to be published in 2024. It is anticipated that these will require LGPS Funds to report in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. The aim is to improve assessment, management and disclosures of both climate-related financial risks and opportunities.</p> <p>Pensions Committee will be advised when the regulations and related guidance are released and Committee will also be informed as to how the Fund plans to meet the new requirements. This is likely to include:</p> <ul style="list-style-type: none"> <li>Reviewing the Fund's governance arrangements to ensure they are fit for purpose in relation to assisting with the oversight of climate related risks and opportunities;</li> <li>Carrying out climate-related scenario analysis; and</li> <li>Reporting on appropriate climate-related metrics.</li> </ul> <p>The resulting increased level of disclosure of how the Fund's assets will affect and be affected by climate change, will seek to ensure that the Fund understands and manages the financial risks and opportunities arising from climate change in order to protect and grow the Fund's assets and cashflows.</p>

Risk Ref	Risk Owner	Risk Title & Description	Current Risk Score DOT	Target Score	Current Controls & Measures in Place	Planned Improvements to controls and measures to manage the risk
			(Impact x Likelihood)			
		contributions at the next triennial valuation.				

**Note:** An upward arrow on the Direction of Travel represents an increase in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has increased.

Similarly, a downward arrow on the Direction of Travel represents a decrease in the risk score since the previous quarter – hence either the potential impact or the likelihood of the risk occurring has decreased.





Westmorland  
& Furness  
Council

**Cumbria  
Pension  
Fund**

# Local Pension Board

## The Pensions Regulator's General Code

16 April 2024

Pete George, Acting Senior Manager

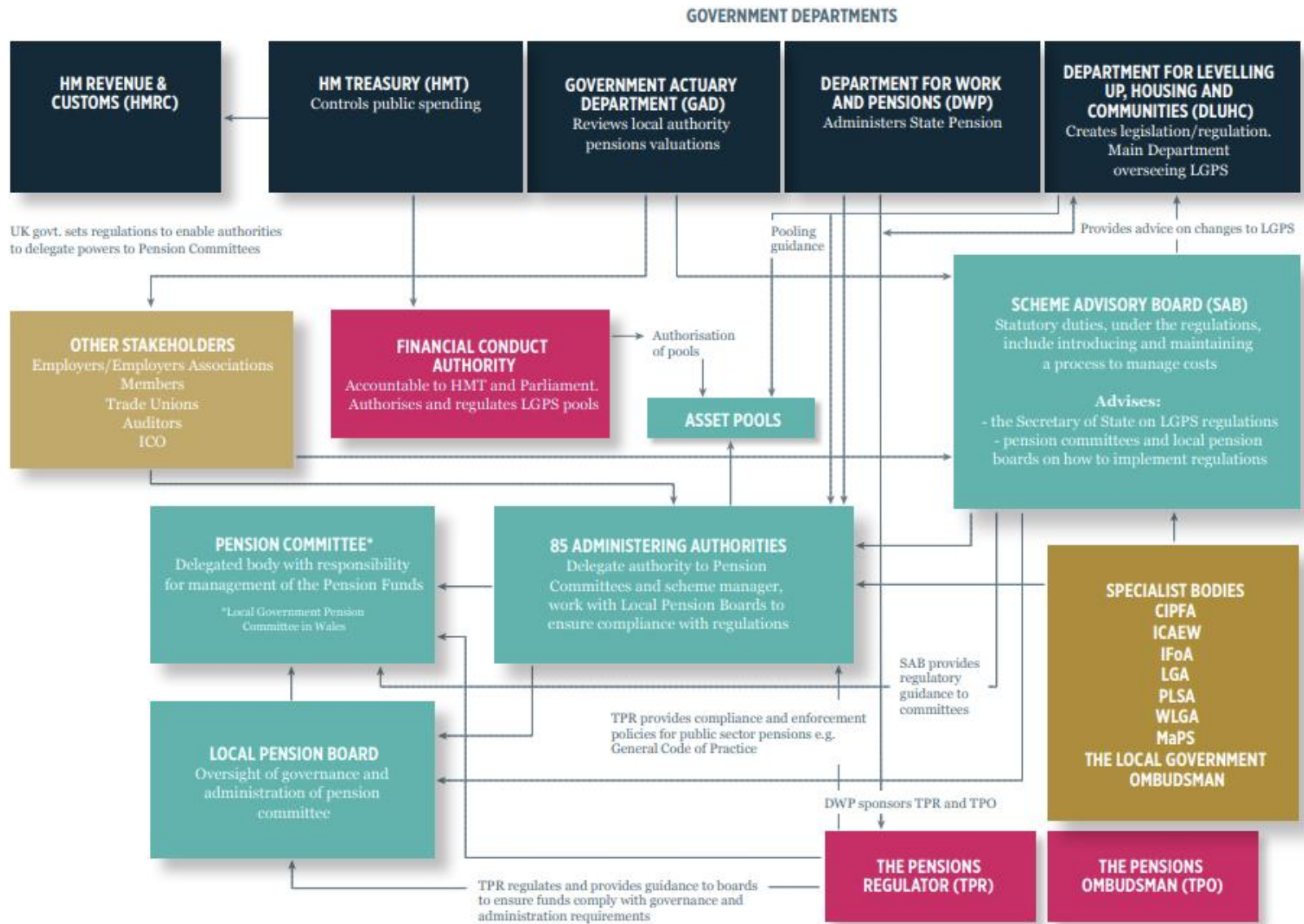
[westmorlandandfurness.gov.uk](http://westmorlandandfurness.gov.uk)



# Agenda

- The role of The Pensions Regulator
- Codes of Practice
- The new 'General' Code of Practice
- Next steps

# LGPS Governance



# The Pensions Regulator in the LGPS

- Regulation of the LGPS and other public sector schemes since 2015
  - “Governance and Administration”
- Local Pension Board role to ‘.. assist with compliance with requirements imposed ... by the pensions regulator’
- Annual submission of the Fund’s information to The Pensions Regulator
- Additional Governance survey
- Breach reporting / whistle blowing
- LGPS is NOT part of the Pension Protection Fund



# Codes of Practice (COP)...

- COPs are not statements of the law.
- COPs set out expectations for conduct and practice.
- No specific penalty for failing to following COP...
- .. However, The Pensions Regulator may rely on COPs in legal proceedings as evidence that a requirement has not been met. A court must take a COP into account when considering their verdict.
- Similarly, any improvement or a compliance notice issued by The Pensions Regulator may be worded in relation to a COP.



# The new 'General' Code of Practice



- Consolidation of 10 current COP
- Consultation in 2021
- Now laid in Parliament
- Effective 27 March 2024
- For both private and public sector schemes

Code of Practice	Code in force	Part of new code
01: Reporting breaches of the law	April 2005	✓
02: Notifiable events	April 2005	✗
03: Funding defined benefits	July 2014 (GB), July 2015 (NI)	✗
04: Early leavers	May 2006	✓
05: Reporting of late payment of contributions to occupational pension schemes	September 2013	✓
06: Reporting of late payment of contributions to personal pension schemes	September 2013	✓
07: Trustee knowledge and understanding (TKU)	November 2009	✓
08: Member nominated trustees/member nominated directors – putting arrangements in place	November 2006	✓
09: Internal controls	November 2006	✓
10: Modification of subsisting rights	January 2007	✗
11: Dispute resolution – reasonable periods	July 2008	✓
12: Circumstances in relation to the material detriment test	June 2009	✗
13: Governance and administration of the occupational trust-based schemes providing money purchase benefits	July 2016	✓
14: Governance and administration of public service pension schemes	April 2015	✓
15: Authorisation and supervision of master trusts	October 2018	✗

# The General Code of Practice

- Modules in the General Code

- **Governing body**

- Board structure and activities
- Knowledge and understanding
- Value for scheme members
- Advisers and service providers
- Risk management
- Scheme governance

- **Funding and Investment**

- **Administration**

- Scheme administration
- Information handling
- IT
- Contributions

- **Communications & Disclosure**

- Information to members
- Public information

- **Reporting to The Pensions Regulator**

- Regular reports
- Whistleblowing – reporting breaches of the law



# Applicability?

- Pensions Act 2004...
  - section 249A, private sector schemes must operate an **effective system of governance**
  - section 249B, public service schemes required to operate **internal controls**.
- General code says ..
  - “.. broadly the same expectations for each type of scheme (subject to the different legal requirements of s.249A and B).”
  - “..the governing body may wish to consider whether the principles should be adopted as good practice.”





# Next Steps?

- Prudent to assume everything applies to the Fund. Justify where it is assumed they do not apply
- Guidance from Scheme Advisory Board on applicability?
- Assess code compliance within 6 months
- Action plan to address gaps

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Consider...

- Pensions Committee remains accountable but Local Pension Board can assist
- Independent challenge / Internal audit?
- Regular reporting and oversight... on an ongoing basis



99  
Any questions?

<https://www.cumbriapensionfund.org/>



# Links for more information

- [Regulatory mapping of the LGPS by Pensions and Lifetime Savings Association](#)
- [The Pensions Regulator Codes of Practice](#)
- [The Pensions Regulator – Public Sector Code of Practice](#)
- [The Pensions Regulator General Code effective 27 March 2024](#)



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<b>Report Title</b>	Review of Pension Administration Matters
<b>Meeting</b>	Cumbria Local Pension Board
<b>Meeting Date</b>	16 April 2024
<b>Report Author</b>	Pam Duke, Director of Resources (S151 Officer)
<b>Chair of Local Pension Board</b>	Patrick Mulligan, Independent Chair of the Local Pension Board
<b>Wards Affected</b>	All
<b>PUBLIC. PART EXEMPT, OR FULLY EXEMPT</b>	Fully Exempt
<b>Appendices (if any)</b>	<p>Appendix 1 - LPPA Quarterly Performance Report 1 October to 31 December 2023</p> <p>Appendix 2 - Appendix to LPPA Quarterly Performance Report 1 October to 31 December 2023</p> <p>Appendix 3 - Employer breaches traffic lights for Quarter to 31 December 2023</p> <p>Appendix 4 – Revised Admission &amp; Termination Policy</p>

**1. Executive Summary**

1.1 This report presents Pensions Administration activity for the quarter ending 31 December 2023 including updates to the Admissions and Termination policy to recognise “pass through” arrangements as a form of admission for admitted bodies to the Fund.

**2. Recommendations**

**For the reasons set out in this report, the Board is recommended to:**

2.1 Note the pension administration matters detailed in this report and request further information and/or feedback to the Pensions Committee as appropriate.

2.2 Note the revised Admission & Termination policy for the Fund recognising recognise “pass through” arrangements as a form of admission for admitted bodies to the Fund.

**3. Information: the Rationale & Evidence for the Recommendations**

**3.1 Local Pensions Partnership - Administration (LPPA) Performance**

- 3.1.1 Cumbria Pension Fund discharges the function of the provision of pensions administration services to Lancashire County Council who contract with Local Pensions Partnership - Administration (LPPA) for the delivery of this service.
- 3.1.2 Officers of the Fund work closely with LPPA to strive towards the common goal of a seamless pension service for scheme members and an efficient service for scheme employers. Due to ongoing performance issues within LPPA, the Fund is currently taking a more active role relating to the checking and verification of payments and communications to scheme members with a medium-term objective to transfer this responsibility back to LPPA. This includes monthly meetings between the Managing Director of LPPA and the Council's Director of Resources. The roles of a number of staff within the team have been refocussed to provide this support and it is the intention for these staff to return to their original planned roles providing broader oversight of pensions administration delivery as the Fund becomes assured of improvements in LPPA's performance.
- 3.1.3 To enable the Board to perform appropriate governance and oversight of Fund administration, the quarterly report to 31 December 2023 has been attached at Appendix 1.
- 3.1.4 In the quarter to 31 December 2023, LPPA delivered 96.8% of its caseload within the agreed timeframes. Whilst overall performance is broadly in line with LPPA's performance targets, this only measures the time taken for LPPA to process cases once all the required information is available and is not reflective of the full scheme member experience. There remain challenges within LPPA with delays in progressing casework prior to having all relevant information. This is particularly prevalent in the high priority cases of new retirements and the processing of death cases. Officers continue to support and provide a quality assurance challenge to LPPA on their performance in this area including the accuracy of the payments made.
- 3.1.5 Processing of retirement cases from deferred status is now above the target of 95%, with 97% of cases being managed within the 5 days (an increase on the 94.3% in Q2). There was a slight increase in the number of retirements from active status that were processed within 5 days of having all available information, with 92.7% meeting this target (an increase from 92.3% in Q2).
- 3.1.6 Of the 42 cases that were outside of the 5 day target, 28 cases took more than 11 days beyond this target to complete, with the longest time taken being 106 days for an active retirement (there was a query in respect of pay figures) and 48 days for a deferred pension (the case failed the checking stage and was sent back for rework). The median time taken (for cases missed by 11 days or more) for active retirements was 26 days, and 24 days for retirements from deferred status. Some of these delayed cases were predominately due

to errors being identified with the data used to calculate benefit entitlement and the case then being required to be reviewed and amended by the caseworker.

- 3.1.7 Processing of death cases across the quarter again fell below the 95% target, with 92.8% of cases dealt with within the 5 day target once all relevant information has been received, and this is a decrease from 93.6% in Q2. Of the 21 death cases that were outside of the performance target, 8 cases were completed more than 11 days after the target with the longest time taken being 51 days (the case failed the checking stage and was sent back for rework) and the median time taken (for cases missed by 11 days or more) was 22 days.
- 3.1.8 On investigating these cases further, the majority of these delayed cases were due to the time taken for the checking process associated with the cases to commence. Four of these cases were associated with deaths in retirement where no payment issues arose, one was a commutation where a pension was already in payment, two related to payments to dependents, and one related to a death from deferred status.
- 3.1.9 The LPPA Quarterly Performance Report, at page 18 of Appendix 1, records retirement satisfaction scores submitted by recently retired members. There were 54 surveys returned during the quarter to 31 December with 18 members (33%) submitting a satisfied score, 5 members (9%) submitting a neutral score and 31 members (58%) submitting a dissatisfied score. It should be noted that the members choosing to complete a survey are self-selecting, relatively small in comparison to total retirements and may not be fully representative of all of the members retiring during the quarter.
- 3.1.10 These satisfaction scores and general delays in service provision are a factor in the continued high number of complaints received by LPPA in the quarter, which were 50, compared to 58 in the quarter to 30 September 2023. The Fund has seen an escalation in the number of complaints received over the past year with, for example, 20 complaints received in the quarter to 31 December 2022. The reason for the complaints were split fairly evenly between the time taken to process casework and general service. This reflects the concerns that Officers have that the scheme member experience is not reflected within the measured performance targets. LPPA are aware of this discrepancy and are looking to implement revised performance targets that more clearly reflect customer experience. Pensions Committee and the Local Pension Board will be kept updated on the development of these revised performance indicators at future meetings.
- 3.1.11 Whilst complaints have increased over the past year, it is encouraging that the number of complaints that have escalated to the formal Internal Dispute Resolution Process (IDRP) is currently at its lowest level for several years, as

shown in the table, below. This is as a result of the direct intervention of Fund Officers in individual cases as referred to Section 3.1.2.

<b>Year</b>	<b>Number of complaints to LPPA</b>	<b>Number of complaints reaching IDRPs</b>
2018/19	63	11
2019/20	56	14
2020/21	42	10
2021/22	54	6
2022/23	97	5
2023/24	146 (to 31 Dec 23)	4 (to 31 Dec 23)

## 3.2 Pensions Dashboards

3.2.1 In the 2016 Budget, the Government committed to ensuring the pensions industry would create Pensions Dashboards which would allow savers to view details of all of their pensions together.

3.2.2 Pensions Dashboards are digital services that will allow savers to see their pension information securely online, and in one place. They will also include information on their State Pension, but not on pensions that are already being paid. It will also help individuals to reconnect with any lost pension pots.

3.2.3 Dashboards aim to help members plan for retirement by:

- finding their various pensions and reconnecting them with any lost pension pots
- understanding the value of their pensions in terms of an estimated retirement income

3.2.4 Funds and administrators will also benefit from dashboards through increased awareness, leading to greater opportunity for engagement with members.

3.2.5 The Pension Schemes Act 2021 introduced the legislative framework for the pensions dashboards. This included provisions that will require trustees and managers of occupational pension schemes and FCA-regulated providers of personal and stakeholder pension schemes to provide information and member data to the pensions dashboards. This includes the Local Government Pension Scheme.

3.2.6 Initially, Public Service Pensions Schemes were originally scheduled to connect in September 2024, however in June 2023, the Department for Work and Pensions (DWP) published amendment regulations that set a legal



deadline of 31 October 2026 for all pension providers and schemes to have completed connection to the dashboards' ecosystem. The DWP made clear that the dates for pension providers and schemes to connect would be set out in future guidance and have recently announced that Public Service Pension Schemes will need to be connected by 31 October 2025.

3.2.7 Providers and schemes must have regard to this guidance when preparing to connect to the dashboards ecosystem, or they may face action from regulators. Providers and schemes are expected to demonstrate they have taken the guidance into account when making decisions and provide a record of this.

3.2.8 The Fund's obligations for Pension Dashboards will be to:

- register the scheme with the Money and Pensions Service ("MaPS") and connect to dashboards;
- receive personal information on members, and search and match members to their pensions ('find requests');
- provide members with information about their pension through the dashboard of their choosing upon request ('view requests'); and
- co-operate with MaPS when preparing to connect, maintain records and report certain information to us and MaPS.

3.2.9 This will need to be undertaken in compliance with standards published from time to time by MaPS and taking into consideration guidance issued by MaPS and The Pensions Regulator.

3.2.10 The Fund's administrator, LPPA, is providing a key role in the Fund's preparation for Pensions Dashboards. Their project for Pensions Dashboards has now been re-mobilised, with a Project Manager being appointed. LPPA are currently undertaking due diligence to select the Integrated Service Provider (ISP) that they will work with to connect to the Pensions Dashboards. They have also confirmed that data cleansing will form part of the project and recently agreed a contract with a 3rd party organisation to undertake an audit of data quality and develop a data quality strategy which will include data cleansing ahead of connection to the dashboards' ecosystem. This data cleansing exercise will also be of benefit to the Fund ahead of the 2025 actuarial valuation.

3.2.11 Going forward, the Local Pension Board will receive a quarterly update in respect of further guidance being issued, and progress made by the Fund and LPPA towards connecting to the Pensions Dashboards Programme.

### 3.3 **Employer Issues from 1 October 2023 to 31 December 2023**

3.3.1 During the quarter, Newbarns Primary & Nursery School converted to an Academy and joined South Cumbria MAT and St Bees Village School also

converted to an Academy and joined Changing Lives Trust. As both of these Multi-Academy Trusts are already employers within the Fund, these changes have no impact on overall employer numbers. Queen Elizabeth Grammar School merged with another Fund employer, Changing Lives Learning Trust. This merger, however, has resulted in a reduction of one employer overall, meaning the number of employers in the Fund at 31 December 2023 was 119.

### New Admissions

- 3.3.2 Four employers have applied to be admitted to the scheme as detailed below. In accordance with Section 7.3.3 of the Fund's Admissions and Terminations policy, decisions regarding transferee and community admissions are delegated to the Director of Finance (Section 151 Officer). The Pensions Committee noted the applications by these employers.
- 3.3.3 **People First Ltd for the provision of advocacy services.** An application has recently been received from People First Ltd to become an admission body within the Fund as a result of an outsourcing agreement with Westmorland and Furness Council, involving the TUPE of staff into the new arrangement. Pensions Committee is noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the regulations, and as specified in the Fund's admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.
- 3.3.4 **Computeam Ltd for the provision of IT services at Changing Lives Learning Trust.** An application has recently been received from Computeam Ltd to become an admission body within the Fund as a result of an outsourcing agreement with Changing Lives Learning Trust, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Changing Lives Learning Trust, as detailed in the regulations, and as specified in the Fund's admission policy. Changing Lives Learning Trust would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.
- 3.3.5 **Caterlink Ltd for the provision of facilities management services at St Columba's Catholic Primary School.** An application has recently been received from Caterlink Ltd to become an admission body within the Fund as a result of an outsourcing agreement with St Columba's Catholic Primary School, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the

regulations, and as specified in the Fund’s admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.

**3.3.6 Caterlink Ltd for the provision of facilities management services at St James’ Catholic Primary School.** An application has recently been received from Caterlink Ltd to become an admission body within the Fund as a result of an outsourcing agreement with St James’ Catholic Primary School, involving the TUPE of staff into the new arrangement. Pensions Committee noted the approval of the application on the basis that a guarantee is provided by Westmorland and Furness Council, as detailed in the regulations, and as specified in the Fund’s admission policy. Westmorland and Furness Council would be acting as guarantor for the length of the contract should the company default on paying contributions to the Fund or are unable to pay any exit payment due as and when the employer leaves the Fund.

Pension Contributions

3.3.7 Employers are required to remit to the Fund the LGPS contributions by the 19th of the month following deduction, which is ahead of the statutory deadline of 22nd of the month. During the quarter to 31 December 2023 the following five employers failed to pay within the statutory deadline:

Employer	Number of occurrences	Value of late payments (£) *	Total days late
Cumbria Deaf Association	2 (Oct/Nov)	<£100	41 days/12 days
Cumbria Teacher Training	1 (Oct)	£100-£500 range	12 days
Priority Facilities (Ashfield Infants)	1 (Nov)	£100-£500 range	13 days
Priority Facilities (St Mary’s)	1 (Nov)	£100-£500 range	13 days
Ullswater Community College	1 (Oct)	£30,000 - £40,000 range	4 days

\*The value of late contributions noted above, are displayed in bands. This to that, where the amount is low, an individual member’s pensionable pay cannot be identified.

- 3.3.8 Officers have worked with each of these employers and, as a consequence, all of the above contributions have now been paid and none of these employers currently present any material concern to the Fund.
- 3.3.9 Ullswater Community College has a new payroll provider, and the Fund has contacted the employer and the provider several times concerning late payments. This issue has now been resolved and more recent payments have been made on time. Cumbria Deaf have changed their bank account and this has delayed their payment being sent.
- 3.3.10 The Fund has contacted each of the five employers to remind them of their obligations under LGPS Regulations and the Fund Policy regarding paying pension contributions to the Fund.

#### Employer Data Provision

- 3.3.11 Monitoring of employer data provision for the quarter highlights employers who have failed to provide the monthly member payroll data (required to update member records) in the time frames as agreed with employers in the Fund Administration Policy. However, only those employers who fail to provide data within the following month are considered to be of concern and are reported to Pensions Committee.
- 3.3.12 Although there are a few employers still experiencing some delays in uploading their monthly returns, progress has been made and the large majority of employers are now uploading their files to LPPA on time and these are being processed by LPPA in good time before the next monthly upload is due.
- 3.3.13 Where employers have been unable to upload data due to issues with the embedding of LPPA's new system, these have not been recorded as "fails" in the performance data reported to Committee and the Local Pension Board.
- 3.3.14 Once the Fund is satisfied that LPPA have provided all employers with the ability to upload monthly pensions data in accordance with the Fund's Administration & Communications Policy, Officers will provide detailed information on individual performance of the Fund's employers.

#### Employer Performance

- 3.3.15 As previously reported to the Board, a traffic lighting system has been developed to help understand those employers (with current active members) who breach regulatory and fund policy requirements.

3.3.16 The “traffic lights” for all employers for the quarter ending 31 December 2023 have been presented in Appendix 3 to this report.

3.3.17 Usually the report details the four returns required from scheme employers each month as set out below, therefore twelve targets to meet during the quarter. If an employer fails once then this triggers an “amber” light, and more than once becomes a “red” light. The traffic lights also show the number of occurrences during the quarter that each employer breached either regulatory or fund policy within each of the four areas being monitored. The four requirements for employers to meet each month are:

- Contributions to be paid to the Fund by the 19<sup>th</sup> day of the following month.
- Monthly deficit lump sum payments (where applicable) to be paid by the end of the month.
- Contribution and pensionable pay data to be submitted to the Fund by the 19<sup>th</sup> day of the following month.
- Member information file to be submitted to LPPA by 10<sup>th</sup> day of the following month.

3.3.18 For the quarter to 31 December 2023 the employer breaches “traffic lights” continue to be shown as an abbreviated version from the format usually presented to Board, with only two of the requirements being reported: contributions paid and deficit payments. Some employers were experiencing ongoing difficulties during the quarter with uploading their monthly data to the new pensions administration system with LPPA. This reporting also affects the data required to be submitted directly to the Fund. Consequently, these data requirements have been excluded from the traffic lights report for this quarter. However, officers are still closely monitoring upload of monthly data and are receiving regular reports on all employers from LPPA so that progress can be made in ensuring all employers are meeting their regulatory and fund policy obligations.

3.3.19 It is intended to recommence reporting to the Board on all 4 requirements, as previously, for contributions received in the quarter 1 January 2024 - 31 March 2024. This will be reported to the Board in July 2024.

3.3.20 Across the quarter to 31 December 2023, 89 (93%) of the 96 employers with active members met the two reported regulatory and Fund policy deadlines each month, 5 (5%) of employers were late on just one occasion and 2 (2%) employers breached more than once in the quarter.

3.3.21 Subject to the limitations stated above, the quarter did see a positive set of results. Generally, employer performance has significantly improved since the traffic lights were introduced in June 2019, with positive feedback from

employers. It has been particularly helpful to those employers with outsourced payroll providers, as they were not always aware of issues until notified in the quarterly e-mail.

### **3.4 Fund discretions applied:**

3.4.1 During the quarter to 31 December 2023 there were 7 administering authority discretions exercised in relation to payment of death grants.

### **3.5 Pensions Ombudsman Opinions:**

3.5.1 The Pensions Ombudsman has not issued any determinations during the period relating to Cumbria Pension Fund.

### **3.6 Review of Fund Policies**

#### Admissions and Terminations policy

3.6.1 The Admission & Termination Policy has been amended such that from 1 April 2024, the Fund will recognise a “pass-through” arrangement as a means by which an employer can be admitted to the Fund.

3.6.2 A pass-through arrangement is an agreement between an Admission Body (usually a contractor providing services to a Fund employer e.g. an Academy) and a guarantor Fund Employer (e.g. the Academy), such that the guarantor Fund Employer retains termination risks associated with the admission. Dependent upon the terms of the pass-through arrangement, this may mean that the Admission Body has clarity of its employer contribution rates throughout the term of the contract, and usually means that any surplus or deficit due from or to the Pension Fund at the termination of the contract will be transferred to the guarantor Fund Employer.

3.6.3 The Department for Education (DfE) provides a guarantee to LGPS Funds that it will cover any liabilities due to the Fund if an Academy or multi academy trust (MAT) was unable to pay any termination payment required under the Fund’s policies. The DfE have recently confirmed that this guarantee extends to any Admitted Bodies that are providing services to the academy / MAT where a pass-through arrangement exists.

3.6.4 The revised policy is presented in Appendix 4 to this report.

## **4. Link to Council Plan Priorities: (People, Climate, Communities, Economy and Culture, Customers, Workforce)**

- 4.1 The purpose of the Fund is to pay Cumbria LGPS members' pension benefits in accordance with regulations and in a secure, affordable and sustainable manner over the short, medium and long term. To do this, the Fund seeks to:
- ensure that sufficient resources are available to meet all liabilities as they fall due;
  - manage employers' liabilities effectively and enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers and the scheduled, resolution and admitted bodies;
  - achieve and maintain Fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future; and
  - maximise the returns from investments within reasonable risk parameters taking into account the above aims.
- 4.2 Good governance and risk management will aid the Fund in ensuring its regulatory responsibilities are met, a good service is provided to scheme members, costs are controlled, and its required investment return is achieved. Cost control and the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have a direct impact on the Fund Employers' revenue budgets.

## **5 Consultation Outcomes**

- 5.1 There has been no consultation on this report.

## **6 Alternative Options Considered**

- 6.1 To note the Pension Administration matters detailed in this report, or
- 6.2 To request further information on any of the items raised in the report or on any other pension administration matter.

## **7 Reasons for the Recommendations**

- 7.1 The Board are requested to note the recommendations within this report.

## **8 Climate and Biodiversity Implications**

- 8.1 There are no specific climate and biodiversity implications relating to this report.

## **9 Legal and Governance Implications**

- 9.1 The Local Pension Board is responsible under the Constitution for assisting the Administering Authority of the Cumbria Local Government Pension Scheme in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme, including compliance with LGPS Regulations,

other legislation and the requirements of the Pensions Regulator. This report outlines a number of matters for noting by the Local Pensions Board.

## **10 Human Resources Implications**

10.1 There are no human resources implications arising from this report.

## **11 Financial Implications**

11.1 Improved governance aids the Fund in running efficiently and effectively controlling costs and helps to achieve its actuarially defined investment returns. Cost control in all areas including regulatory compliance together with the investment performance of the Fund will have a direct impact on the funding level and therefore all employers' contribution rates. This will have an impact on the Fund Employers' revenue budgets.

## **12 Equality and Diversity Implications (including the public sector equality duty, Armed Forces Veterans, Care Experienced, Rurality, and Socio-Economic Inequalities implications)**

12.1 There are no assessment equality and diversity implications.

## **13 Risk Implications**

13.1 There are no specific risks associated with this report. Wider risks associated with the Cumbria Pension Fund are detailed in item 8 on today's agenda.

## **14 Background Documents**

14.1 Not applicable.



OUR



81



TO BE  
THE PENSION  
ADMINISTRATOR  
OF CHOICE  
TO THE  
PUBLIC SECTOR

# LPP

Local Pensions Partnership  
Administration

Cumbria Local Government Pension Scheme

## Quarterly Administration Report

1st October - 31st December 2023

[lppapensions.co.uk](http://lppapensions.co.uk)

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# DEFINITIONS

## Page 8

### Total Fund Membership

Total Fund Membership is the number of Member records held on the LPPA pensions administration system that are contributing to, awaiting benefits, or receiving benefits from the pension fund.

### Current Age Demographic

The age profile of the Membership is split across three types of status:

*Active Members* – Members who are currently contributing toward their pension benefits.

*Deferred Members* – Members who hold a deferred benefit in the fund.

*Pensioner Members* – Pensioners and Dependants who are currently receiving a pension.

## Page 10

### Casework Performance - All Cases

Performance is measured once all information is made available to LPPA to enable them to complete the process. Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

## Page 11

### Casework Performance - Standard

The category of 'Other' on this page covers processes including, but not limited to:

- APC/AVC Queries
- Additional Confs Cessation
- Change of Hours
- Change of Personal Details
- Under Three Month Opt-Out
- Main to 50/50 Scheme Changes
- Divorce Quotes
- Divorce Settlement
- Ill Health Reviews

Please note that this page includes cases that have met the SLA target, but the stop trigger may also have been actioned before the process has been completed.

## Page 12

### Ongoing Casework at the end of the Reporting Quarter

Please note the number of processes brought forward, does not match the corresponding number of outstanding processes reported in the previous quarter (due to various reasons which can include; but not limited to, the deletion of a process or changes in assigned categories).

## Page 14 & 15

### Helpdesk Performance

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Helpdesk adviser.

## Page 20 & 21

### Member Online Portal

The number and percentage of member records by status, that are registered for LPPA's Member Self-Service facility, PensionPoint.

## Page 29

### Common/Scheme Specific Data Fails

The Pensions Regulator requires Administrators to keep Member data up to date to ensure benefits are accurately paid. This is split by Common Data (details that are specific to the Member) and Scheme Specific Data (data that is related to the pension).

Individual Fails shows the total number of unique Members that have a single or multiple number of Common Data or Scheme Specific Data fails. On both charts, the Accuracy Rate (%) then compares the number of Individual Fails to the total number of Scheme Members.

For more detail on the Data Items / Error types presented in these charts, please visit either the [TPR](#) or [PASA](#) (The Pension Administration Standards Association) websites.

## OUR CORE VALUES

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services.

The report describes the performance of Local Pensions Partnership Administration (LPPA) against the standards set out in the SLA.

Within LPPA, our values play a fundamental role in guiding our behaviour as we grow our pensions services business and share the benefits with our Clients.



# ANNUAL PLAN

✓ COMPLETED    📅 DUE

85

	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24
Annual Benefit Statement and Newsletter to Deferred Members				✓								
Pension Increases		✓										
P60s and Newsletter to Pensioners		✓										
Annual Benefit Statement and Newsletter to Active Members					✓							
Pension Saving Statements							✓					
HMRC Scheme Returns							✓					
IAS19 data				✓	✓				✓			📅



# EXECUTIVE SUMMARY

Forward thinking...  
Working together...  
Doing the right thing...  
Committed to excellence...

## This performance report covers the reporting period of Q3 2023/24 (October – December 2023)

Casework and Helpdesk performance metrics continue to trend in the right direction.

### Payroll

All pensioner payroll and lump sum payments due in the reporting period were made on time (this equates to over £100m, across all clients, in pension payments per month).

### Statutory deadlines

99 All regulatory and statutory deadlines due in the reporting period were met.

- Pension Saving Statements
- HMRC Scheme Returns

### Casework SLA performance

Overall performance against SLAs is above the targeted 95% and has been consistently achieved since May 2023. Performance is above or close to the 95% target in the key areas of Bereavements and Retirements.

### Satisfaction scores

Helpdesk and Retirement satisfaction scores are now reported at client level as a rolling 12 month view. Moving away from the reporting across all LPPA clients will result in a reduced number of surveys completed and will affect the visual of the graphs but provides a clear view of the satisfaction in respect of your members.

### Pensions Helpdesk

Helpdesk performance for average call wait time and number of answered calls is now reported at a client level, abandoned rate remains across all LPPA clients as we do not know which client a member was calling from until after a call has been accepted.



# Fund Membership

## In this section...

- Total fund membership
- Current age demographic

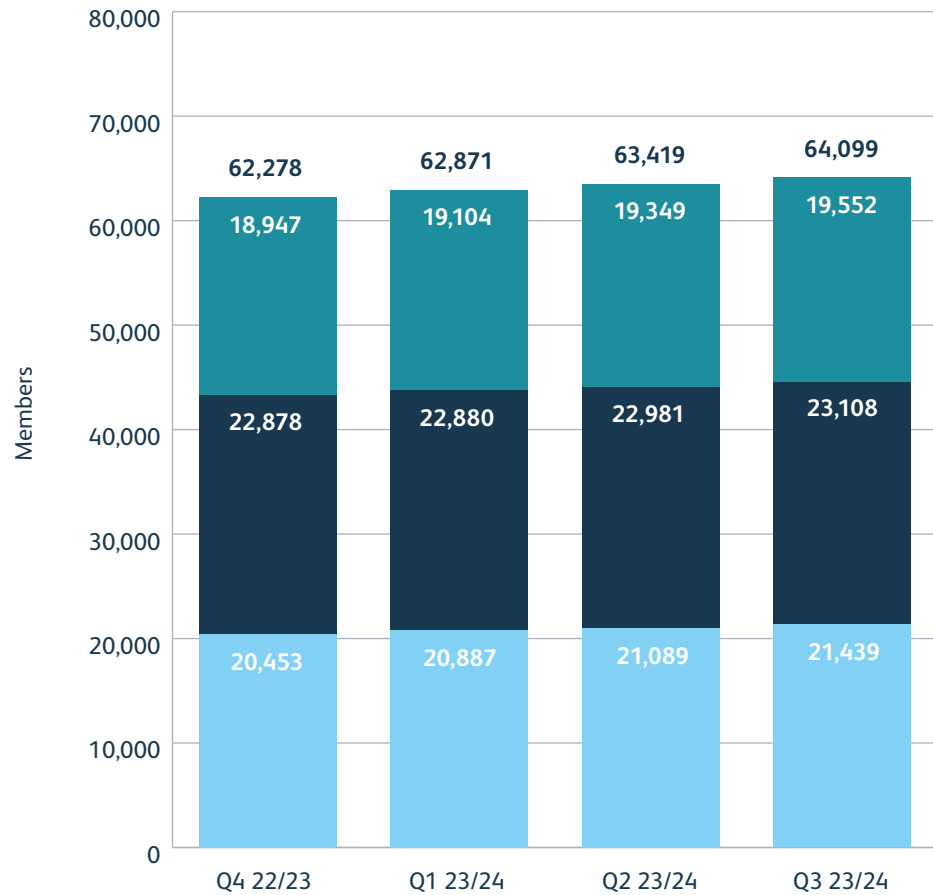
# TOTAL FUND MEMBERSHIP



## TOTAL FUND MEMBERSHIP

CLIENT SPECIFIC

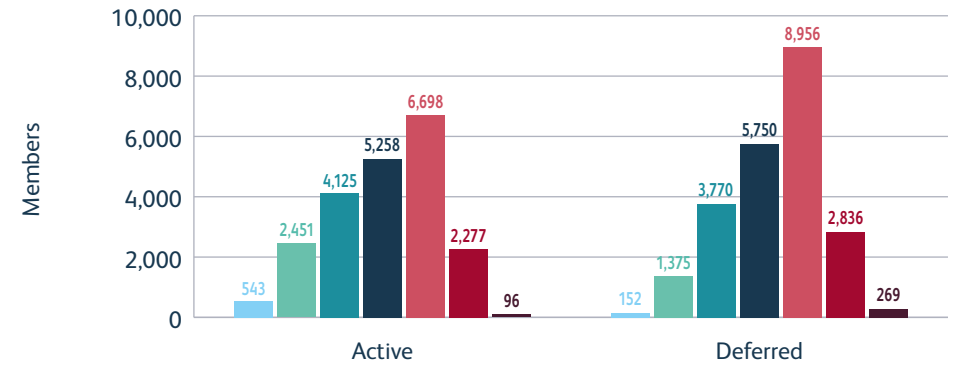
Active Contributors   Deferred Beneficiaries   Pensioners & Dependents



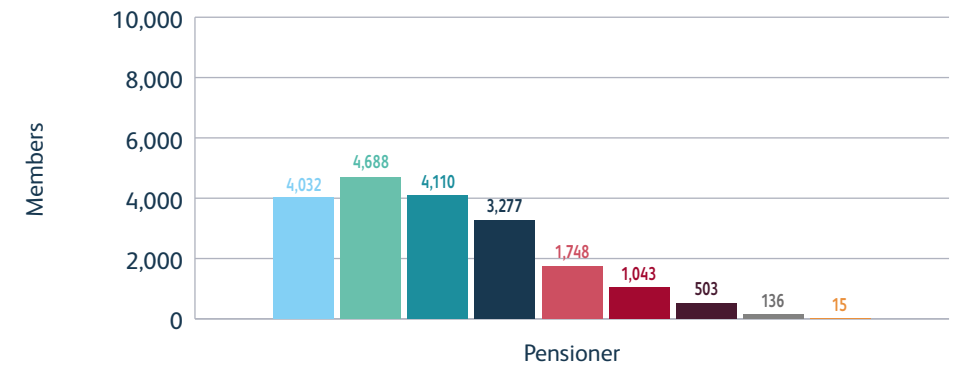
## CURRENT AGE DEMOGRAPHIC

CLIENT SPECIFIC

Under 21   21 to 30   31 to 40   41 to 50   51 to 60   61 to 70   Over 70



Under 65   65 to 69   70 to 74   75 to 79   80 to 84  
85 to 89   90 to 94   95 to 99   100+





# Casework Performance

## In this section...

- Performance – all cases
- Performance standard
- Ongoing casework at end of reporting quarter

# CASEWORK PERFORMANCE

**Please note:**

Agreed with clients that LPPA's monthly operational targets would be relaxed from Nov 22 to Jan 23, in line with UPM migration timings (22/23).



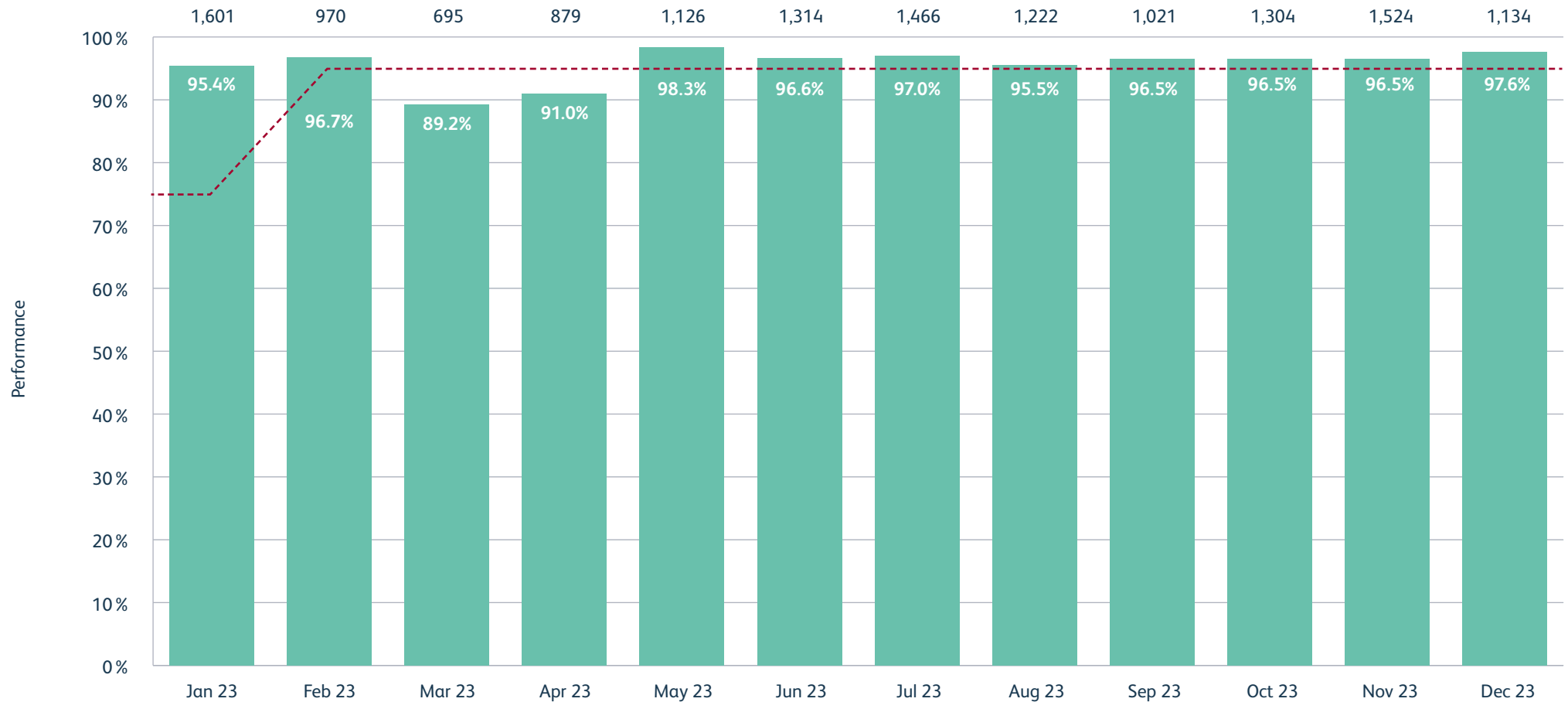
## PERFORMANCE – ALL CASES

CLIENT SPECIFIC

--- Target

The quarterly SLA performance was 96.8%

Total completed cases included for each month.



06

Performance

# CASEWORK PERFORMANCE

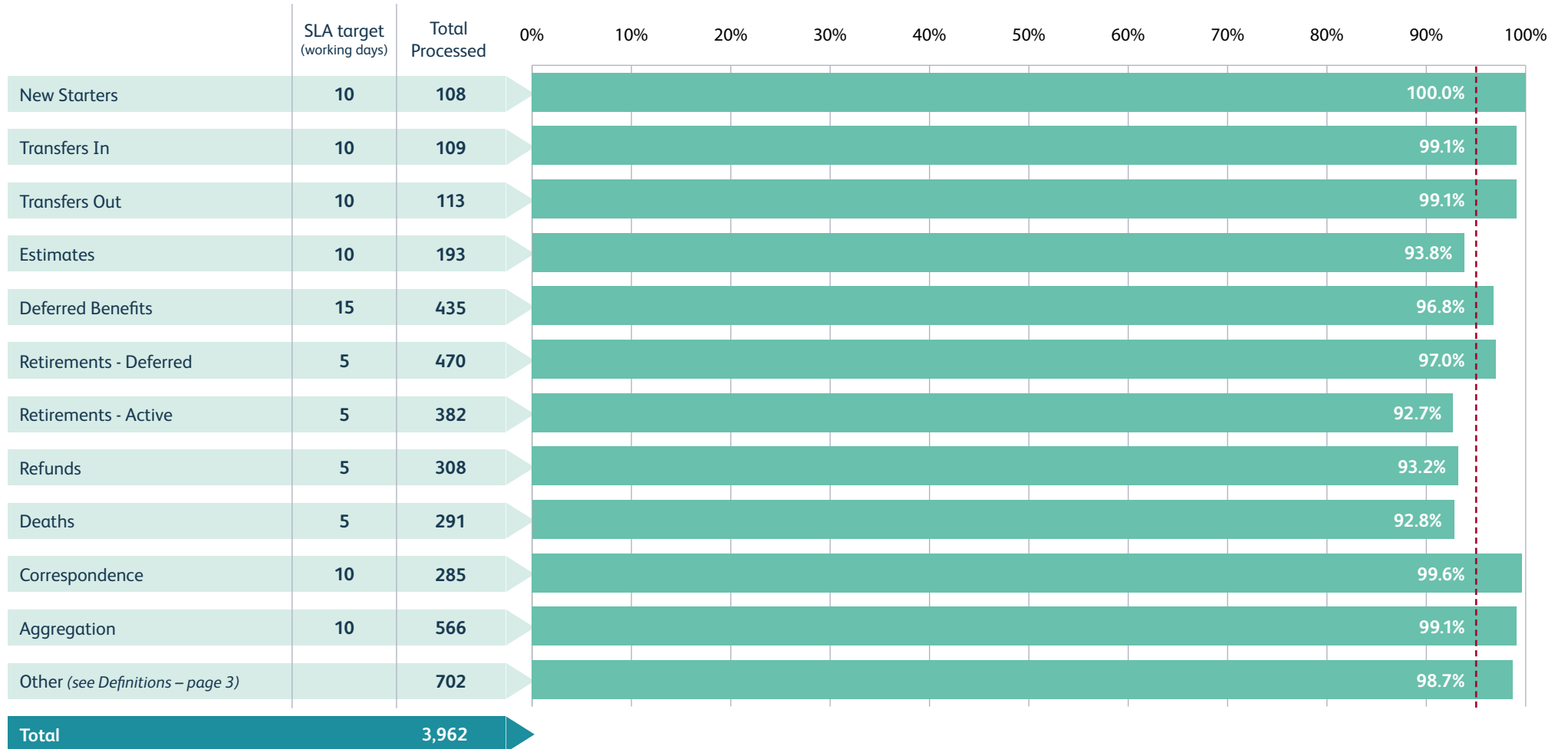


## PERFORMANCE STANDARD

## CLIENT SPECIFIC

----- Target (95%)

91



# CASEWORK PERFORMANCE

## ONGOING CASEWORK AT THE END OF THE REPORTING QUARTER CLIENT SPECIFIC

The following table is created by identifying all reportable casework within UPM, and includes those that have subsequently Completed / Aborted / Remain Outstanding within the quarter. The figures in this table cannot be compared to those in the previous slide for a number of reasons including: the table includes aborted cases, but the horizontal bar graph does not; the SLA 'stop trigger' can be actioned before the process has been completed.

	Brought Forward at 01/10/23	Received (Inbound)	Completed (Outbound)	Outstanding as of 31/12/2023
New Starters	55	225	148	132
Transfers In	584	233	268	549
Transfers Out	274	166	221	219
Estimates	138	186	226	98
Deferred Benefits	1,511	886	799	1,598
Retirements - Deferred	442	517	571	388
Retirements - Active	320	518	550	288
Refunds	278	391	468	201
Deaths	334	467	400	401
Correspondence	266	236	333	169
Aggregation	958	1,121	907	1,172
Other <i>(see Definitions – page 3)</i>	266	952	997	221
<b>Total</b>	<b>5,426</b>	<b>5,898</b>	<b>5,888</b>	<b>5,436</b>

# Helpdesk Calls Performance

The Helpdesk deals with all online enquiries and calls from Members for all funds that LPPA provide administration services for.

## **In this section...**

- Wait time range
- Calls answered

# HELPDESK CALLS PERFORMANCE

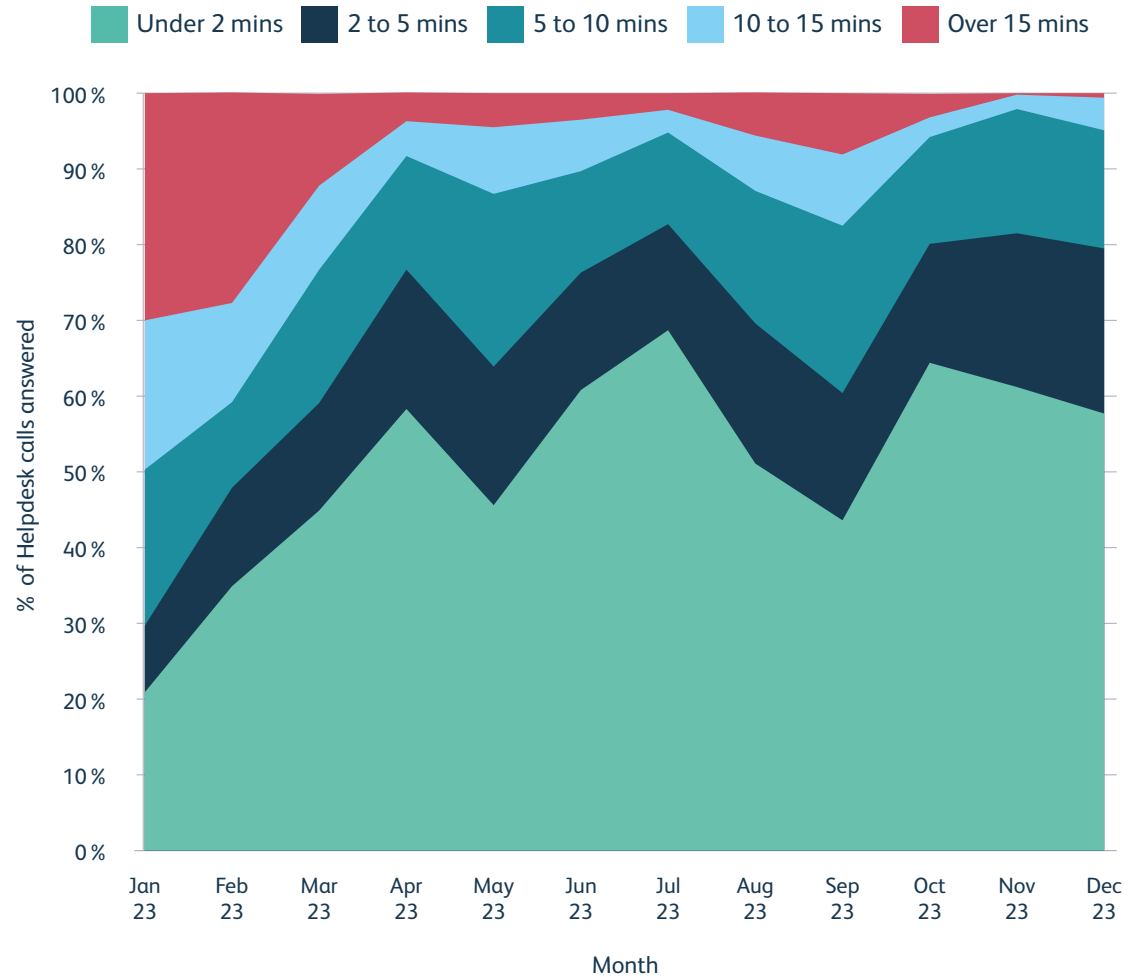


## WAIT TIME RANGE

CLIENT SPECIFIC

94

	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Jan 23	20.9%	8.8%	20.6%	19.7%	30.0%
Feb 23	34.9%	13.0%	11.3%	13.1%	27.8%
Mar 23	44.9%	14.2%	17.6%	11.1%	12.1%
Apr 23	58.3%	18.4%	15.0%	4.6%	3.8%
May 23	45.6%	18.3%	22.8%	8.8%	4.5%
Jun 23	60.8%	15.5%	13.4%	6.8%	3.5%
Jul 23	68.7%	14.0%	12.1%	3.0%	2.2%
Aug 23	51.1%	18.5%	17.5%	7.3%	5.7%
Sep 23	43.6%	16.8%	22.1%	9.4%	8.1%
Oct 23	64.4%	15.7%	14.1%	2.6%	3.1%
Nov 23	61.2%	20.3%	16.4%	1.9%	0.2%
Dec 23	57.7%	21.8%	15.6%	4.3%	0.6%



# HELPDESK CALLS PERFORMANCE

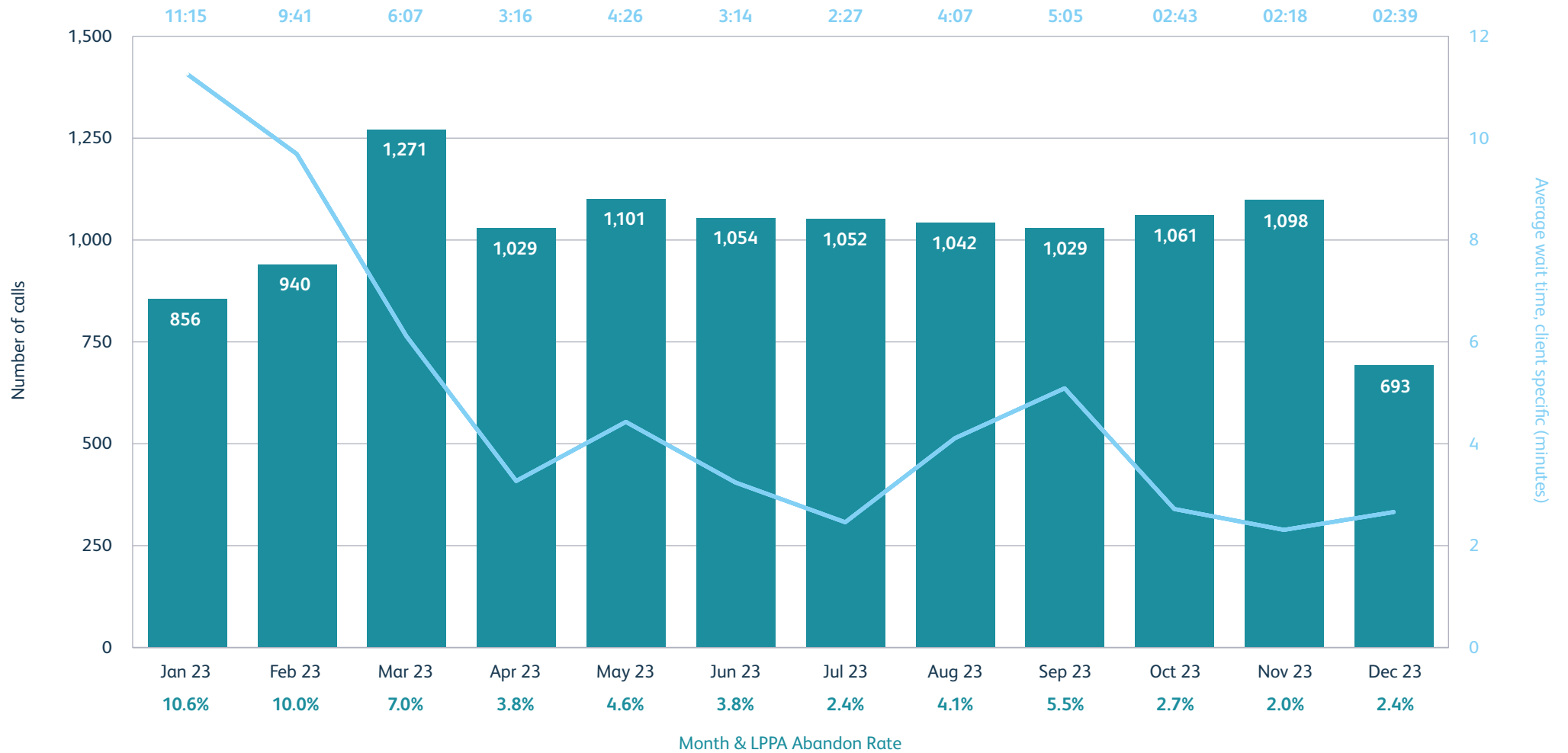


## CALLS ANSWERED

CLIENT SPECIFIC

— Average wait time (mm:ss)

95



Average wait time, client specific (minutes)

# Customer Satisfaction Scores

## In this section...

- Helpdesk calls satisfaction
- Retirements



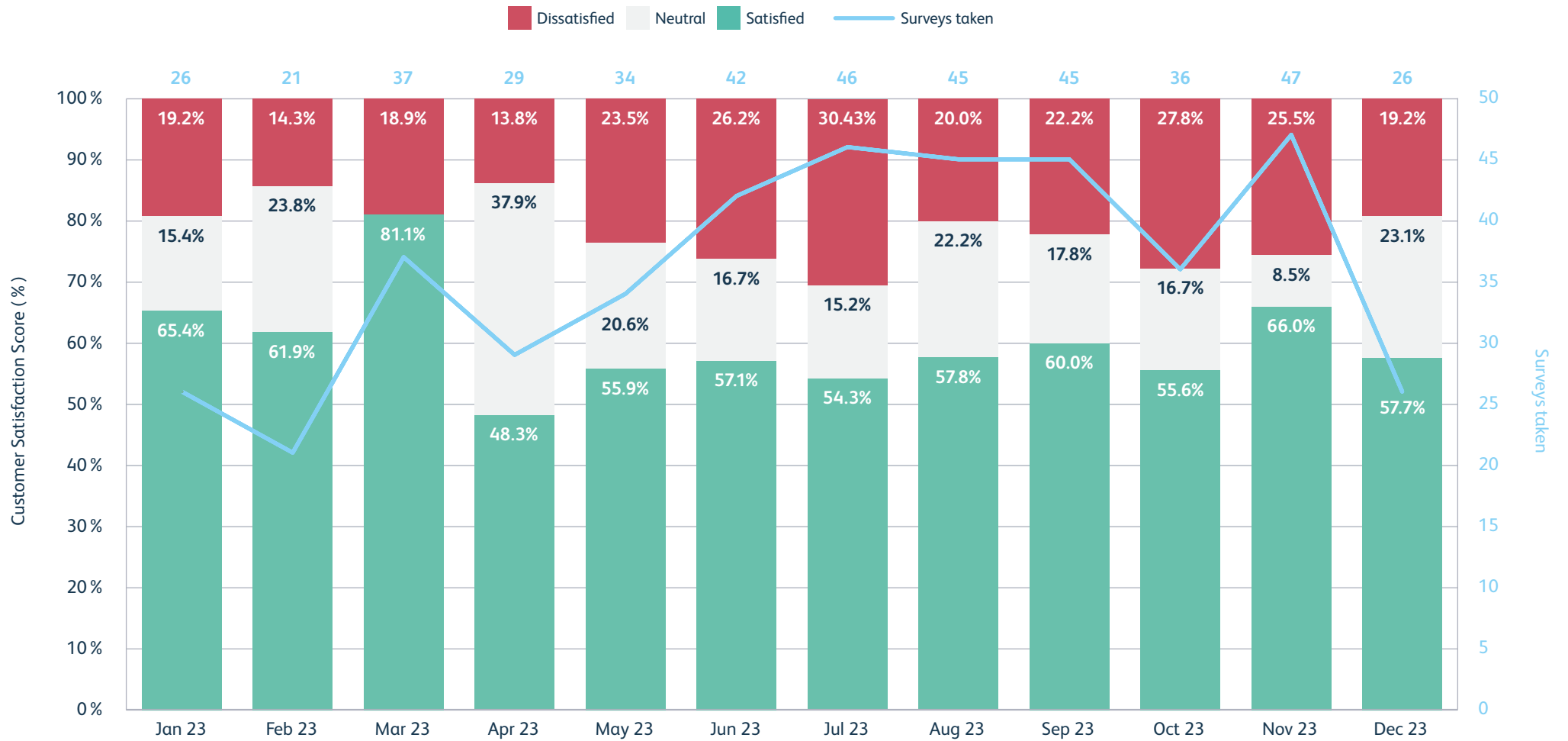
# CUSTOMER SATISFACTION SCORES



## HELPDESK CALLS SATISFACTION

CLIENT SPECIFIC

97



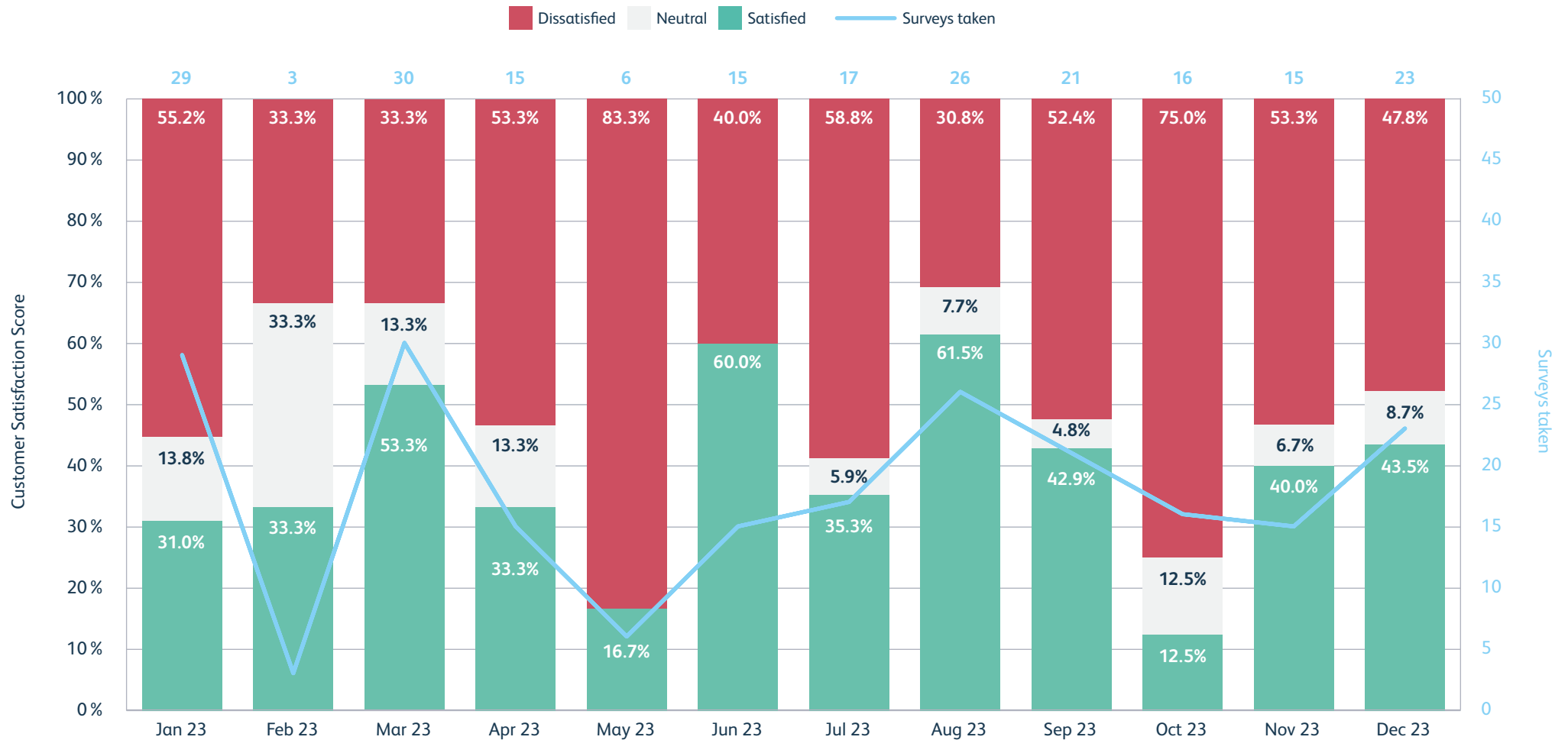
# CUSTOMER SATISFACTION SCORES

**Please note:**

Surveys were paused in February and reinstated in March, following a review of the process. Some surveys were being issued before payment had been made to the member – the timing of the survey has now been updated to correct this.

## RETIREMENTS CLIENT SPECIFIC

86





# Member Online Portal

## In this section...

- Total members registered
- Members registered (%)



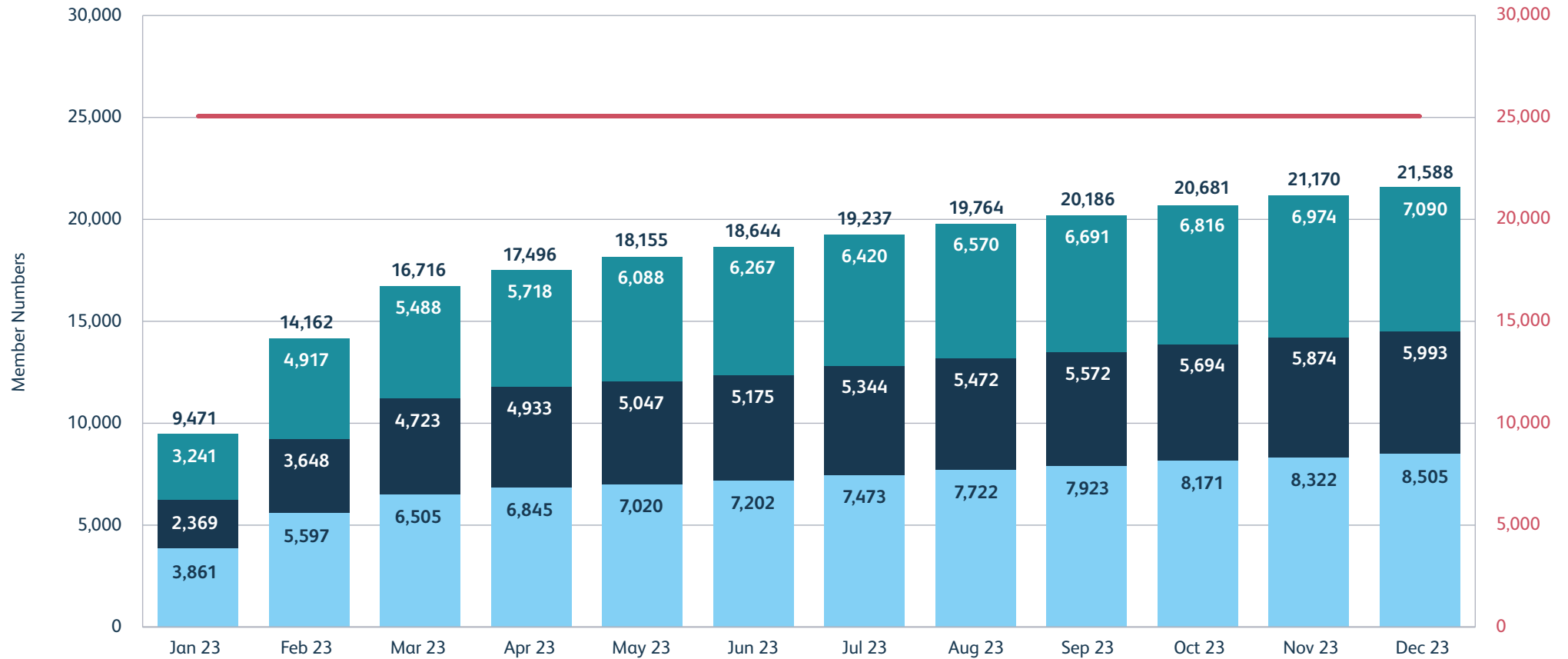
TOTAL MEMBERS REGISTERED

CLIENT SPECIFIC

Active Deferred Pensioner

25,044 (previous My Pension Online registrations as of November 2022)

100

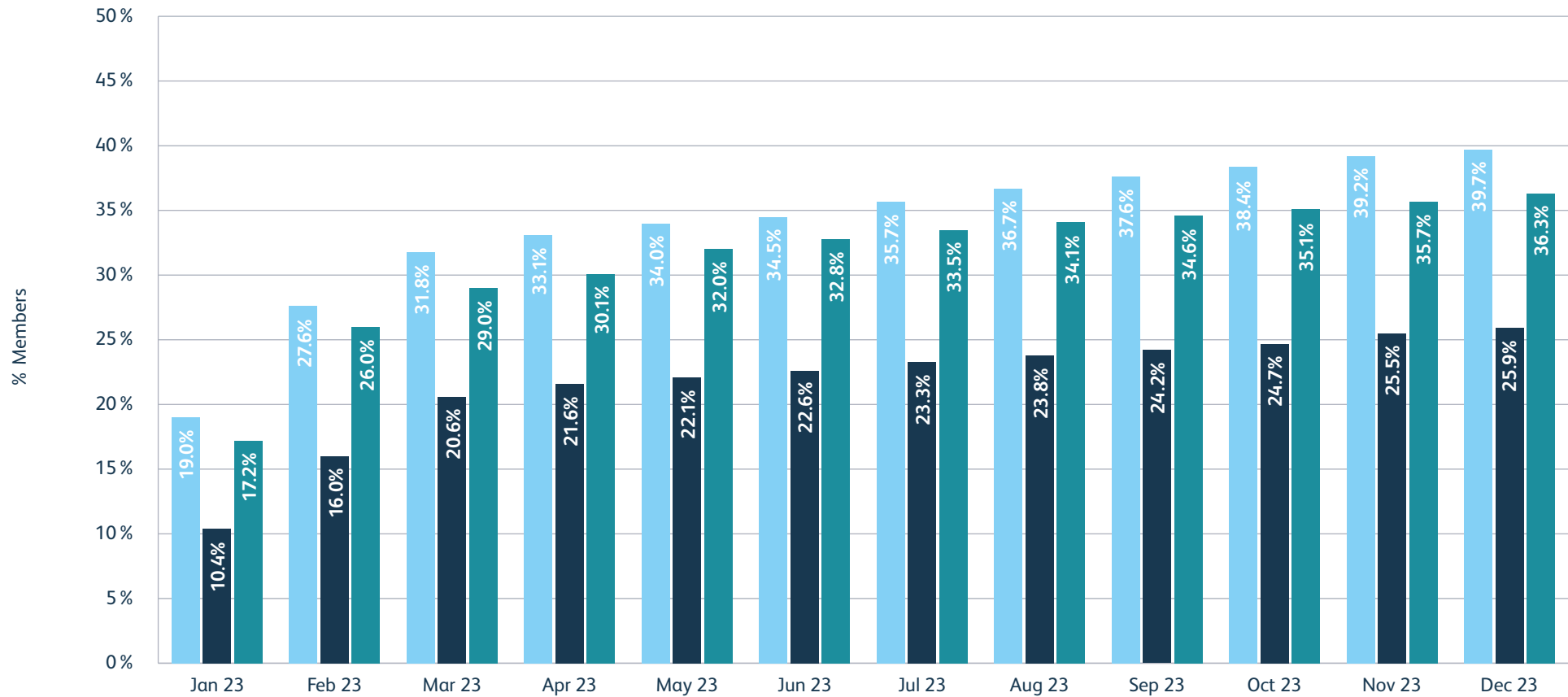




MEMBERS REGISTERED (%)

CLIENT SPECIFIC

Active Deferred Pensioner



# Employer Engagement & Member Communication Activity

## In this section...

- Delivered
- Scheduled
- Engagement communications (Employers & Members)

# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY

## DELIVERED

ALL LPPA

- The [member contact form](#) was improved to assist member self-service requests for information contained on the LPPA website – this has resulted in more member visits to retirement and PensionPoint pages (FAQ's, how to videos etc).
- Monthly return files - reminder [emails](#) and telephone calls to non-submitting employers were issued / actioned, to ensure that support is provided, as well as highlighting the impact if files are not up-to-date, ready for the production of ABS documents in 2024.
- An employer email promoting [Get Online week](#) was issued.
- A McCloud (LGPS) client round table was facilitated by LPPA to provide a business (project) and communications update, together with a discussion on employer data requirements, followed by a Q&A.
- The [Employer toolkit](#) page was updated (simplified) on the LPPA website
- An [email invite](#) was issued promoting the virtual LPPA Employer Forum (23 November 23)
- [Pension Pulse](#) (newsletter) was issued to employers and focused on the LPPA Employer Forum (including a link to the session recording), the employer toolkit and a reminder that member estimates can be generated in the employer portal.

- Several new resource pages were added to the LPPA website:

[Increasing your pension benefits](#) - provides members with information on taking out an AVC, APC or added pension.

[Age discrimination remedy pages](#) – explaining how members are affected by the McCloud judgement.

New [Forms, documents and scheme information](#) page added.

## SCHEDULED

ALL LPPA

- The LPPA Communications team are working on planned improvements to the retirement section of the LPPA website.
- Communications will be issued to employers to ensure that the 'reasons for leaving' are as specified (for leavers included in the monthly return file), to help facilitate a move towards bulk submission of leavers later in the year.
- Communications are planned to employers to highlight the importance of 'on-time retirement notifications' to LPPA, and how the leaver process can support them to ensure the member retirement experience is enhanced.
- Email communications and telephone calls will continue to non-submitting (monthly return file) employers, and updates will be provided to clients.

# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



## ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- 2 Virtual employer visits were held
- Absence and Ill Health training was delivered with 4 employers attending
- 3 employers attended LGPS Scheme Essentials Training
- 12 employer attended Scheme Leavers training
- UPM employer portal training was delivered with 3 employers attending
- Employer Responsibilities training was delivered with 7 employers attending
- Submitting monthly returns training was delivered and 5 employers attended
- 22 people from Cumbria employers attended our Employer Forum
- Monthly member sessions were delivered, with 37 Cumbria Fund members attending the Making Sense of your Pension sessions and 19 attended Making Sense of your Retirement session





# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



## EMPLOYERS

CLIENT SPECIFIC

105

Date	Employer	Activity	Number in attendance
04 Oct	David Allen (payroll provider)	Submitting Monthly Returns	1
04 Oct	South Lakes Housing	Submitting Monthly Returns	1
04 Oct	West House	Submitting Monthly Returns	1
04 Oct	Cumbria Constabulary	Virtual Employer Visit	2
10 Oct	Westmorland and Furness Council	Employer Responsibilities	2
10 Oct	South Lakes Housing	Employer Responsibilities	1
10 Oct	Cumberland Council	Employer Responsibilities	1
17 Oct	South Lakes Housing	UPM Employer Portal	1
17 Oct	Cumbria Constabulary	UPM Employer Portal	2
17 Oct	West House	UPM Employer Portal	1
18 Oct	Lake District National Park Authority	Scheme Leavers - UPM employer portal	1
18 Oct	Westmorland and Furness Council	Scheme Leavers - UPM employer portal	2
18 Oct	South Lakes Housing	Scheme Leavers - UPM employer portal	1
18 Oct	Trinity School (Academy)	Scheme Leavers - UPM employer portal	1
18 Oct	Cumberland Council	Scheme Leavers - UPM employer portal	1
18 Oct	Queen Elizabeth Grammar School	Scheme Leavers - UPM employer portal	1
18 Oct	West House	Scheme Leavers - UPM employer portal	1
18 Oct	Cumberland Council	Absence and Ill Health	6
02 Nov	Westmorland and Furness Council	Absence and Ill Health	6
02 Nov	David Allen (payroll provider)	Absence and Ill Health	1
02 Nov	West House	Absence and Ill Health	1
02 Nov	Cumbria Constabulary	Submitting Monthly Returns	2

Date	Employer	Activity	Number in attendance
07 Nov	Lake District National Park Authority	LGPS Scheme Essentials	1
21 Nov	Kendal College	LGPS Scheme Essentials	1
21 Nov	Cumberland Council	LGPS Scheme Essentials	1
21 Nov	Barrow Borough Council	Employer Forum	1
23 Nov	Cumberland Council	Employer Forum	1
23 Nov	Cumbria Pension Fund	Employer Forum	3
23 Nov	Cumbria Constabulary	Employer Forum	1
23 Nov	Furness College	Employer Forum	1
23 Nov	Kendal College	Employer Forum	2
23 Nov	Keswick Town Council	Employer Forum	1
23 Nov	Lakes College West Cumbria	Employer Forum	1
23 Nov	Lake District National Park Authority	Employer Forum	1
23 Nov	Queen Elizabeth Grammar School	Employer Forum	1
23 Nov	Westmorland and Furness Council	Employer Forum	1
23 Nov	The Glenmore Trust	Employer Forum	2
23 Nov	The Good Shepherd Multi Academy Trust	Employer Forum	1
23 Nov	Trinity School (Academy)	Employer Forum	1
23 Nov	West House	Employer Forum	1
23 Nov	Westmorland and Furness Council	Employer Forum	3
30 Nov	Cumberland Council	Scheme Leavers - UPM employer portal	2
30 Nov	Barrow Borough Council	Scheme Leavers - UPM employer portal	1
30 Nov	Queen Elizabeth Grammar School	Scheme Leavers - UPM employer portal	1
30 Nov	Westmorland and Furness Council	Scheme Leavers - UPM employer portal	2
04 Dec	Cumbria Schools (payroll provider)	Submitting Monthly Returns	1
12 Dec	Cumbria Constabulary	Employer Responsibilities	2
13 Dec	Lake District National Park Authority	Employer Responsibilities	1
13 Dec	Kendal College	Employer Responsibilities	1
13 Dec	West House	Employer Responsibilities	1

# EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY



## MEMBERS

CLIENT SPECIFIC

Date	Employer	Activity	Number in attendance
23 Oct	All Cumbria Employers	Making sense of retirement	1
24 Oct	All Cumbria Employers	Making sense of your pension	2
05 Dec	All Cumbria Employers	Making sense of your pension	35
07 Dec	All Cumbria Employers	Making sense of retirement	18

106



# Data Quality

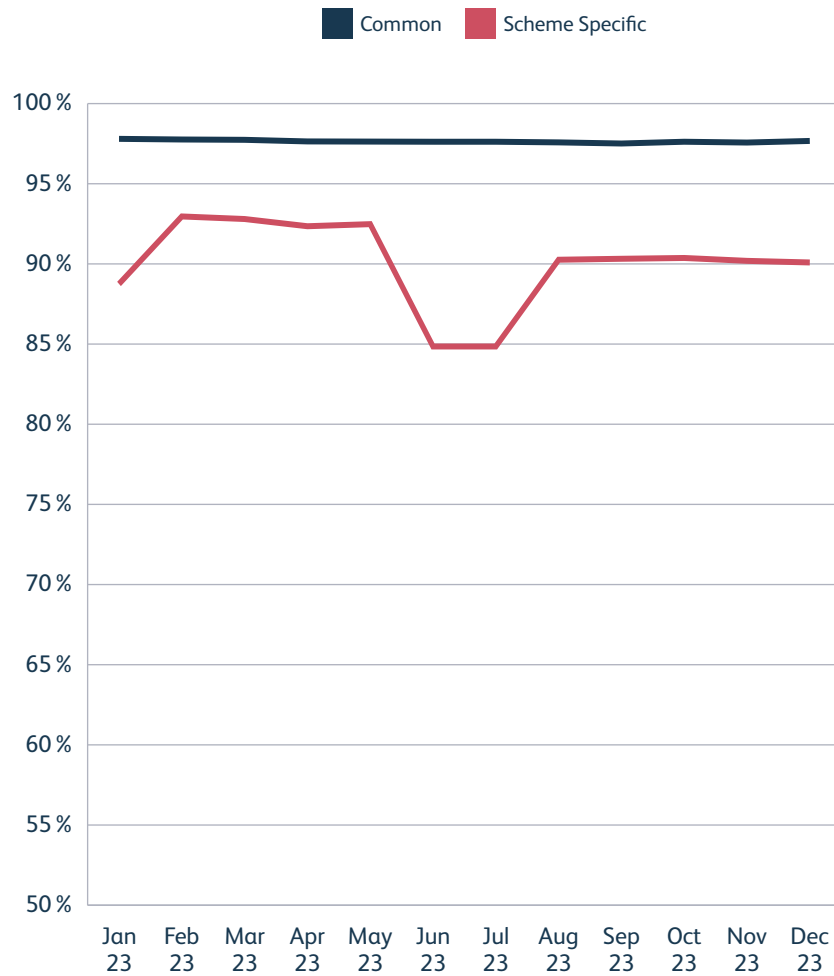
## In this section...

- TPR data scores
- Common data
- Scheme specific data

# DATA QUALITY

## TPR DATA SCORES

CLIENT SPECIFIC



	Common (Target 95%)	Scheme Specific (Target 90%)
Jan 23	97.80%	88.75%
Feb 23	97.76%	92.96%
Mar 23	97.74%	92.80%
Apr 23	97.64%	92.35%
May 23	97.63%	92.48%
Jun 23	97.62%	84.85%
Jul 23	97.62%	84.85%
Aug 23	97.58%	90.26%
Sep 23	97.51%	90.32%
Oct 23	97.62%	90.37%
Nov 23	97.57%	90.19%
Dec 23	97.67%	90.09%

108

Accuracy Rate

# END OF QUARTER DATA QUALITY

(TPR SCORES)

## COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	1	46	33
Duplicate effective date in status history	1	51	19
Gender is not Male or Female	26	2	0
Duplicate entries in status history	13	114	56
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	5	3	1
Missing Surname	0	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	14	0	0
No entry in the status history	2	0	0
Last entry in status history does not match current status	77	14	11
Member has no address	69	974	45
Missing Forename(s)	0	0	0
Missing State Retirement Date	26	2	0
Missing postcode	72	988	44
Missing Date Joined Pensionable Service	2	0	0
<b>Total Fails</b>	<b>308</b>	<b>2194</b>	<b>209</b>
<b>Individual Fails</b>	<b>205</b>	<b>1140</b>	<b>147</b>
<b>Total Members</b>	<b>21439</b>	<b>23108</b>	<b>19552</b>
<b>Accuracy Rate</b>	<b>99.0%</b>	<b>95.1%</b>	<b>99.2%</b>
<b>Total accuracy rate</b>			<b>97.7%</b>



## SCHEME SPECIFIC DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	418
AVCs/Additional Contributions	46
Deferred Benefits	10
Tranches (DB)	66
Gross Pension (Pensioners)	91
Tranches (Pensioners)	365
Gross Pension (Dependants)	36
Tranches (Dependants)	116
Date of Leaving	531
Date Joined Scheme	547
Employer Details	5
Salary	557
Crystallisation	697
CARE Data	1,838
CARE Revaluation	2
Annual Allowance	1,384
LTA Factors	809
Date Contracted Out	6
Pre-88 GMP	564
Post-88 GMP	1,295
<b>Total Fails</b>	<b>9,383</b>
<b>Individual Fails</b>	<b>6,352</b>
<b>Total Members</b>	<b>64,099</b>
<b>Accuracy Rate</b>	<b>90.1%</b>

# LPP

Local Pensions Partnership  
Administration

# Missed SLA Cases

## Q3 2023/24 Missed SLA – number of cases

Category	1 Day		2 Days		3 Days		4 Days		5 Days		6 - 10 Days		11 Days +		Total
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
New Starters	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Transfers In	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	100.00%	1
Transfers Out	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	100.00%	0	0.00%	1
Estimates	0	0.00%	0	0.00%	0	0.00%	1	8.33%	0	0.00%	1	8.33%	10	83.33%	12
Deferred Benefits	0	0.00%	1	7.14%	0	0.00%	0	0.00%	0	0.00%	1	7.14%	12	85.71%	14
Retirements - Deferred	0	0.00%	1	7.14%	0	0.00%	0	0.00%	0	0.00%	5	35.71%	8	57.14%	14
Retirements - Active	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	8	28.57%	20	71.43%	28
Refunds	0	0.00%	0	0.00%	1	4.76%	0	0.00%	0	0.00%	1	4.76%	19	90.48%	21
Deaths	0	0.00%	2	9.52%	1	4.76%	2	9.52%	1	4.76%	7	33.33%	8	38.10%	21
Correspondence	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	100.00%	0	0.00%	1
Aggregation	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	5	100.00%	5
Other	4	44.44%	0	0.00%	1	11.11%	0	0.00%	0	0.00%	0	0.00%	4	44.44%	9
<b>Total</b>	<b>4</b>	<b>3.15%</b>	<b>4</b>	<b>3.15%</b>	<b>3</b>	<b>2.36%</b>	<b>3</b>	<b>2.36%</b>	<b>1</b>	<b>0.79%</b>	<b>25</b>	<b>19.69%</b>	<b>87</b>	<b>68.50%</b>	<b>127</b>

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# Quarterly Complaints Reporting

Q3 2023/24							
	Carried forward from previous quarter	Complaints received (current period)	Complaints closed / outcome (current quarter)				Carried forward
			Upheld	Not upheld	Partially upheld	Withdrawn	
Delays	32	26	32	4	3	0	19
General Service	25	22	15	6	4	0	22
Payroll	2	1	3	0	0	0	0
Regulatory	0	1	0	0	0	0	1
<b>Totals</b>	<b>59</b>	<b>50</b>	<b>50</b>	<b>10</b>	<b>7</b>	<b>0</b>	<b>42</b>
			<b>Upheld</b> Complaint is justified and errors/ omissions occurred.	<b>Not Upheld</b> Complaint is not justified and no errors/omissions occurred.	<b>Partially Upheld</b> Part of the complaint is justified and part is not.	<b>Withdrawn</b> Member has withdrawn their complaint.	

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### Cumbria LGPS Employers Breaches to Regulations

Employer	Contributions Paid to Fund	Deficit Lump Sum Payments	Overall Q3 Result	Previous Quarter Result
<b>2023/24 Q3</b>				
<b>01/10/2023 - 31/12/2023</b>				
Wigton Town Council		3	3	1
Burton Morewood ACADEMY		2	2	
Cumbria Deaf Assoc	1	N/A	1	1
Changing Lives Learning Trust		1	1	
Lakeland Arts Trust	1	N/A	1	
Priority Facilities (Ashfield)	1	N/A	1	
Priority Facilities (St Marys)	1	N/A	1	
Barrow Forward Ltd		N/A		1
Caldew ACADEMY				1
Penrith Town Council		N/A		1
West House		N/A		1
Allerdale Waste Services Ltd		N/A		
Appleby ACADEMY				
Arnside ACADEMY				
Aspatria Town Council		N/A		
Bassenthwaite ACADEMY				
Care Quality Commission (CSCI)		N/A		
Carlisle Leisure (Carlisle)		N/A		
Cartmel Priory ACADEMY				
Caterlink Ltd (Longtown Prim)		N/A		
Caterlink Ltd (St Bernards CHS)		N/A		
Caterlink Ltd (West Lakes)				
Caterlink Ltd (William Howard)		N/A		
Chief Constables Off		N/A		
Cleator Moor Town Council		N/A		
Cockermouth ACADEMY				
Cockermouth Town Council		N/A		
Crosby On Eden ACADEMY				
Cumbria ACADEMY for Autism		N/A		
Cumbria Cerebral Palsy		N/A		
Cumbria Education Trust Ltd				
Dallam ACADEMY				
Eaglesfield Paddle ACADEMY				
Eden Housing		N/A		
Egremont Town Council				
Energy Coast UTC ACADEMY		N/A		
Furness College		N/A		
Furness Education Trust				
George Hastwell ACADEMY				
Ghyllside ACADEMY		N/A		
Glenmore Trust		N/A		
Grange Town Council		N/A		
Great Corby ACADEMY				
Greenwich Leisure		N/A		

Greenwich Leisure SL		N/A		
Higham Hall		N/A		
Home Group Ltd		N/A		
James Rennie ACADEMY				
Kendal College		N/A		
Kendal Primary MAT				
Kendal Town Council		N/A		
Keswick ACADEMY				
Keswick Town Council		N/A		
Kirkbie Kendal ACADEMY				
Kirkby Stephen ACADEMY				
Lake District Nat Park Auth		N/A		
Lakes College West		N/A		
Learning for Life Trust				
Longtown Community Centre		N/A		
Lunesdale Learning Trust				
Maryport Town Council				
Mater Christi MAT		N/A		
Mellors Appleby Grammar		N/A		
Mellors Kirkby Stephen		N/A		
Morton Community Centre		N/A		
Oaklea Trust		N/A		
Orian		N/A		
People First		N/A		
Police, Fire & Crime Comm		N/A		
Richard Rose ACADEMIES				
Seaton Infants ACADEMY				
Settlebeck ACADEMY				
South Cumbria MAT		N/A		
South Lakes Housing Ass		N/A		
Stanwix ACADEMY				
Stramongate ACADEMY				
The Good Shepherd MAT				
The Queen Katherine ACADEMY				
Trinity ACADEMY				
Tullie House Trust		N/A		
Ulverston Town Council		N/A		
Walney ACADEMY				
Whitehaven Town Council		N/A		
Workington Town Council				
Westmorland (Barrow)		#N/A		
Westmorland (Eden)		#N/A		
Westmorland (SLDC)		#N/A		
Westmorland (Capita)		#N/A		
Westmorland (Trent)		#N/A		
Cumberland (Allerdale)		#N/A		
Cumberland (Carlisle)		#N/A		
Cumberland (Copeland)		#N/A		
Cumberland (Capita)		#N/A		
Cumberland (Trent)		#N/A		

FIRE		#N/A
Bullough (Caldew Academy)		N/A


**BASED ON OVERALL RANKING**

Green	89	Data and funds received on time for the quarter
Amber	5	Missing a deadline once in the quarter
Red	2	Missing a deadline twice in the quarter
<b>Total</b>	<b>96</b>	

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## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME ("Scheme")**

### **7.1 ADMISSION & TERMINATION POLICY, including FLEXIBILITIES FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS**

This document details the Scheme's policy on:

- Admissions into the Fund;
- The methodology for assessment of a termination payment on the cessation of a Participating Employer's participation in the Fund;
- Use of repayment plans and Deferred Debt Agreements; and
- Considerations for current employers.

The Admissions and Termination Policy was approved by the Cumbria Pensions Committee held on 14 March 2023 and has been updated to reflect the Local Government Pension Scheme Regulations 2013. This policy forms part of the Funding Strategy Statement of the Scheme.

Where this document refers to Westmorland and Furness Council ("**the Council**"), then this shall mean Westmorland and Furness in carrying out its function as the Administering Authority of the Scheme.

Where this document refers to a Participating Employer, it shall mean a Fund Employer under either Part 1 or Part 2 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 ("**Regulations**"), or an Admission Body (formerly defined as a transferee admission body or a community admission body) under Part 3 of Schedule 2 of the Regulations.

## **A – ADMISSIONS POLICY**

### **7.2 BACKGROUND**

#### **7.2.1 Admission Bodies**

Admission Bodies are a specific type of Participating Employer under the Regulations that govern the Scheme. They do not automatically qualify for admission and must instead satisfy certain criteria as set out in the Regulations. They also need a written Admission Agreement to be admitted and participate in the Scheme.

The Council may enter into an Admission Agreement with any Admission Body that satisfies the criteria under the Regulations. An Admission Agreement will enable all (or any specified class) of the Admission Body's employees to be members of the Fund and participate in the Scheme.

Any application for Admission Body status must be submitted to the Council in good time to enable actuarial information to be obtained and the legalities associated with

admission to be dealt with. Applications should preferably be submitted at least six months before the proposed transfer or admission date.

There are two broad types of Admission Body – those providing a commercial service to a Fund Employer (formerly transferee admission bodies) and those providing other services with sufficient links to a Fund Employer (formerly community admission bodies).

### **7.2.2 Fund Employers**

Fund Employers can be divided into two types under the Regulations:

- (a) those employers listed in Part 1 of Schedule 2 of the Regulations; and
- (b) those employers listed in Part 2 of Schedule 2 of the Regulations.

Fund Employers listed under Part 1 of Schedule 2 of the Regulations include (but are not limited to)

- county councils;
- district councils;
- London borough councils;
- a fire and rescue authority within the meaning of the Fire and Rescue Services Act 2004;
- a Police and Crime Commissioner;
- a Chief Constable within the meaning of Section 2 of the Police Reform and Social Responsibility Act 2011;
- the Environment Agency;
- a National Park Authority established under Part 3 of the Environment Act 1995;
- a proprietor of an academy within the meaning of section 579 (general interpretation) of the Education Act 1996 who has entered into academy arrangements within the meaning of section 1 (academy arrangements) of the Academies Act 2010;
- a further education corporation, a sixth form college corporation or higher education corporation within the meaning of section 90 of the Further and Higher Education Act 1992;
- a body set up by a local housing authority as a housing management company to exercise management functions of the authority under an agreement approved by the appropriate Minister under section 27 of the Housing Act 1985.

Employees of the above Fund employers will automatically be admitted into the Scheme, provided that they are not prevented from eligibility by virtue of Regulation 4.

Fund employers listed under Part 2 of Schedule 2 of the Regulations include (but are not limited to):

- a passenger transport executive;
- a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (which would include a Parish or Community Council);



- a company “connected with” / “under the control” of a body listed in Part 1 of Schedule 2 (which would include a subsidiary); and
- an urban development corporation.

Employees of the above Fund Employers will only be admitted to the Scheme if they, or a class of employee to which they belong, is designated by the body as being eligible for membership of the Scheme.

## **7.3 POLICY STATEMENT**

### **7.3.1 Admission Bodies**

In addition to the requirements under the Regulations, the following principles will be adopted in relation to Admission Bodies:

- (a) applications will be approved if:
  - (i) all the conditions of participation set out in the appendix are met; and
  - (ii) the body falls into the category of “Admission Body” highlighted in section 7.2 and does not have any of the disqualifying criteria set out below; and
  - (iii) the body has a guarantee/indemnity from another Fund Employer (note that for commercial agreements (i.e. former transferee admission bodies) the transferring Fund Employer will be expected to act as guarantor); and
  - (iv) for non-commercial agreements (i.e. former community admission bodies) the body exists as a result of being specifically set up by a local authority(s).
- (b) applications will not be approved if:
  - (i) the application falls into the “Admission Body” category; and
  - (ii) the body has one or more of the following disqualifying criteria attached to it:
    - the body does not meet the conditions of participation detailed at the appendix; or
    - the provisions in respect of risk assessments as set out later in this document have not been complied with; or
    - the transferring Fund Employer is a Participating Employer within another LGPS Fund; or
    - the body does not have a guarantee/indemnity from another Fund Employer.
  - (iii) for non-commercial agreements (i.e. former community admission bodies) there is a known limited lifespan or fixed contract term of admission to the Fund.
- (c) the Admission Body will need to enter into a separate Admission Agreement in respect of each contract.

Notwithstanding the above, the Council reserves the right to approve or reject any application, should it deem this appropriate in the particular circumstances, provided such a decision is in accordance with the Regulations.

### **7.3.2 Admission Bodies providing services to academies / MATs**

Academies and multi academy trusts (MATs) within the Fund are covered by the DfE LGPS Guarantee. This provides protections to the Fund if the Academy / MAT exits the Fund and cannot pay the termination payment required under the Fund's policies. The guarantee also covers Admitted Bodies that are providing services to the academy / MAT, providing certain conditions are met.

Therefore, as well as the criteria set out in 7.3.1, for Admission Bodies, where the guarantor Fund Employer is an academy / MAT the Council will require that the academy / MAT follow DfE guidance such that the guarantee also applies to the Admission Body. The Council's position is that:

- This will typically mean the admission is closed to new entrants and the contract between the academy / MAT and the Admission body is a "pass-through" arrangement (see section 7.3.3 for detail on pass-through arrangements). The Council may require evidence that the admission is indeed a pass-through arrangement as defined by DfE.
- Where the case is not a pass-through arrangement, confirmation from DfE that the arrangement is approved and the guarantee still applies will be required.

Where neither of the above is met, the Council will normally reject the application.

Even where a pass-through arrangement applies, the Admission Body will normally be treated as a separate employer for funding purposes, in line with the treatment for any other Fund employer. The exception to this would be if a pooled arrangement was being operated (see 7.3.3 below).

### **7.3.3 Pass-through arrangements**

A pass-through arrangement is an agreement between an Admission Body (usually a contractor providing services to a Fund employer e.g. an Academy) and a guarantor Fund Employer (e.g. the Academy), such that the guarantor Fund Employer retains termination risks associated with the admission.

Contracts between an Admission Body and a guarantor Fund Employer may be a "pass-through" arrangement. There is no single definition of this, but they generally involve:

- The Admission Body being responsible for agreed regular contributions as a percentage of pay, and certain other pension related costs under their control (e.g. strains due to early retirement on redundancy, or employer granted benefit enhancements).
- All other pension cost / risk being retained by the guarantor Fund Employer. This normally includes any surplus / deficit when the admission agreement ends (other than pension related costs specifically identified).

Other versions of the above are possible, including partial pass-through arrangements, where the Admission Body is responsible for other agreed pension costs.

The pass-through arrangement is an agreement solely between the Admission Body and guarantor Fund Employer – the Fund is not a party to this, however an Admission agreement is still required between the Fund and the Admission Body.

Where the admission is on a pass through basis, the two employers will have the option to pool the Admission Body with the guarantor Fund Employer. Whether pooling is appropriate is a decision for the employers, which should be taken based on the exact nature of their agreement and the allocation of risk. When deciding, they should be aware that:

- No separate assets or liabilities for the Admission Body will be identifiable. The Fund will not separately track the position, which would be fully pooled with the guarantor.
- As such, the deficit / surplus relating to the Admission Body will not be available when the admission ends.
- No separate contribution rate for the Admission Body will normally be calculated. The Fund would expect that the contribution rate for the Admission Body is agreed as part of their contract with the guarantor (for example the Admission Body pays the guarantor's future service rate).

#### **7.3.4 Risk Assessments**

The Council will expect each Admission Body to carry out, at the point of admission and subsequently as required by the Council, an assessment of risk arising on premature termination of the provision of assets and services by the Admission Body to the satisfaction of the Council. In determining whether the assessment is satisfactory, the Council will take advice from its own actuary.

The Admission Body must secure a guarantee which is acceptable to the Council from either:

- (a) a person who funds the Admission Body in whole or part;
- (b) a person who owns or controls the exercise of the functions of the Admission Body; or
- (c) the Secretary of State in the case of an Admission Body which is established under any enactment providing that enactment enables the Secretary of State to make financial provision for that Admission Body.

The factors the Council may use to establish whether a guarantee would be an acceptable alternative are:

- (a) the likelihood of premature termination occurring in respect of that Admission Body;
- (b) the accountability of any Fund employer in respect of that Admission Body;
- (c) whether if premature termination did occur the liabilities of the Admission Body would be assumed by other participating employers in the Fund, or would be contained by other employers in that Admission Body's group;
- (d) any assessment commissioned by the Admission Body on which the Council can rely to determine whether the guarantor is suitable; and

- (e) advice from its solicitors as to whether the wording of the guarantee is acceptable.

In determining the acceptability as to the level of risk, the Council will be mindful of its core principle which is that each Admission Body is accountable for its own costs on premature termination and any costs associated with that should not become the liability of third party bodies who participate in the Fund.

In certain circumstances the Council may be willing to enter into an indemnity or bond in place of a body acting as guarantor, however the Council may determine when this is the appropriate option, taking into account the risk assessment.

### **7.3.5 Decisions Regarding Admissions**

Decisions regarding the admission of Admission Bodies will be delegated to the Section 151 Officer.

## **7.4 Fund Employers**

The principle that the Council wishes to pursue is that of responsibility by each employer under the Fund for the liabilities of its employees or former employees who have liabilities under the Fund (other than for pooled arrangements as set out in 7.3.3).

In this regard, the Council may:

- make an initial assessment of the financial standing of the new Fund employer, to determine its ability to support the funding requirements under the Fund;
- taking into account any such assessment, the Council may seek any one or more of the following terms of agreement with the new Fund employer, including:
  - a guarantee/indemnity from another Fund employer;
  - agreement that another Fund employer will assume the orphan liabilities relating to the new Fund employer, either in whole or in part;
  - further information on the employees transferring to them, financial standing/plans and relationship with previous Fund employer;
  - a revised Rates and Adjustments certificate for the new Fund employer to take into account the financial risk of failure.

There should be flexibility to consider all relevant circumstances but the Council's objective is to seek appropriate funding from all Fund employers, so that on exit all orphaned liabilities will be funded, or subsumed by another Fund employer.

## **B – TERMINATION POLICY, including FLEXIBILITIES FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS**

### **7.5 BACKGROUND**

When an Admission Agreement comes to its end (including where the participating employer ceases to have any active members), or is prematurely terminated for any

reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees, the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

In the event that unfunded liabilities arise that cannot be recovered from the Admission Body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a bond/indemnity, guarantor or successor body within the Fund.

## **7.6 POLICY STATEMENT**

### **7.6.1 Admission Bodies**

Other than for pooled Admission Bodies (see section 7.3.3), a termination assessment will always be carried out for “outgoing” Participating Employers in accordance with Regulation 64 of the Regulations. The actuarial cost of this will be charged to the outgoing Participating Employer, together with any other related costs of the termination.

In line with Regulation 64, this assessment will determine the exit payment due from, or the exit credit due to, the outgoing Participating Employer. Where the calculations show that there is a surplus of the Participating Employer’s assets over its liabilities within the Fund, the Administering Authority has discretion when determining what if any exit credit is payable. Where the calculations show that there is a deficit, the Administering Authority has discretion when determining whether the exit payment is paid immediately, or whether it is either suspended, spread over an agreed period, or whether the Participating Employer may continue to participate in the Fund under a “Deferred Debt Agreement”.

As such, the treatment of assets and liabilities at termination will be as follows:

#### **(a) Admission Bodies without a Fund guarantor**

Where an Admission Body does not have a guarantee/indemnity from another Fund Employer, and no successor body exists to take responsibility for the liabilities (including those in respect of former members) then:

- Any surplus on termination would be refunded to the Participating Employer via payment of an exit credit.
- Any deficit will be recovered from the outgoing Participating Employer or bond where appropriate;

After this, the remaining orphan liabilities and the related assets in the Fund will be subsumed by the Fund as a whole.

## **(b) Admission Bodies with a Fund guarantor**

Where an Admission Body has a guarantee/indemnity from another Fund Employer or a successor body exists who will take responsibility for the liabilities (including those in respect of former members) then, on notification of the Admission Body's intention to leave the Fund:

- The Fund will write to the Admission Body and guarantor requesting written evidence of any risk sharing agreements (such as a pass-through arrangement – see section 7.3.3) within 14 days of notification.
- Where evidence is provided, the Fund will follow the risk sharing protocols set out within the agreement between the two parties. Where there is no clarity within the risk sharing agreement as to the treatment of deficits or exit credits on termination, the Fund will determine the amount of any deficit due or exit credit payment due and to which party, having regard to any relevant considerations and taking account of the employers' exposure to risk.
- Where no evidence is provided, the Fund will pursue the Admission Body for any deficit or pay any exit credits to the Admission Body. Where the Admission Body defaults on any liabilities due to the Fund, the guarantee will be called in from the guarantor.
- If the outgoing Admission Body disputes the treatment, then the two parties will be expected to reach an agreement amongst themselves, and if they cannot then the Fund's IDR process should be used. The Pensions Ombudsman has jurisdiction to hear complaints if the IDR fails to resolve the dispute.

This treatment is in line with the regulations, and is designed to ensure that the treatment on termination reflects the treatment of funding risk in the admission, and to avoid a situation where a Participating Employer can potentially benefit from a surplus without bearing responsibility for a deficit (or vice versa).

## **(c) Treatment of exit payments and exit credits**

Regulation 64 requires the Scheme to make notifications to the following parties prior to payment of any exit credit:

- The Participating Employer
- The guarantor employer and / or outsourcing employer within the Fund (where relevant)

In practice, as referred to above, the Scheme will seek to agree with the relevant parties the treatment of the assets and liabilities (and so any potential exit credit) in advance of the termination assessment taking place.

Once agreed, any exit credits will be paid within six months of the exit date, or any such longer period that may be agreed with the outgoing Participating Employer.

Where there is an exit payment due from or exit credit due to the guarantor/outsourcing employer then the normal Fund policy will be for that employer to subsume the relevant assets and liabilities without an immediate one-off payment being made by or to the Fund. As part of this arrangement, the Fund may adjust that employer's regular contributions in recognition of the exit position. The Fund may also depart from this policy if it feels it to be appropriate (e.g. it may insist on an immediate payment from the guarantor/outsourcing employer).

#### **(d) Notification of Termination**

In many cases, termination of the admission is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued. In this case admission bodies are requested to open a dialogue with the Fund to commence planning for the termination as early as possible.

Where termination is disclosed in advance the Fund will liaise with the actuary to introduce procedures to reduce the volatility risks to the debt amount in the run up to actual termination of the admission.

Further, the Fund may hold more frequent reviews of employer contribution rates in order to manage the gradual reduction of any pension deficit or surplus. This will enable the Fund to gradually manage the termination process, rather than call for one cessation payment.

#### **(e) Funding basis for termination calculations**

The Fund's standard policy is that a termination assessment will be made based on a more cautious funding basis, (as defined in 7.5.1 (f) below). This is to strike a balance between:

- protecting the other employers in the Fund. At termination, the Admission Body's liabilities may become "orphan liabilities" within the Fund, and there will be no recourse to the Admission Body if a shortfall emerges in the future (after the admission has terminated). A more cautious funding basis provides some protection against this;
- Providing fair value to the outgoing Admission Body and preventing Admission Bodies being trapped in the Scheme by an unaffordable deficit.

The more cautious basis will be selected with the aim of achieving the above. Generally, this will be a least risk set of assumptions based on gilt yields, but should market conditions or other factors warrant then an alternative approach (including potentially with reference to corporate bonds) may be adopted based on advice from the Fund's actuary.

This approach will be applied unless the Admission Body has a guarantor within the Fund, or a successor body exists to take over the Admission Body's liabilities (including those of former employees). In this case the valuation funding basis (as defined in 7.5.1 (f) below) will be used.

## (f) Valuation Funding, Corporate Bond and Least Risk Termination Bases

The valuation funding, corporate bond and least risk financial assumptions that applied at the most recent actuarial valuation date (31 March 2022) are set out below for illustration. However, these will be updated for each termination on a case-by-case basis to reflect:

- the prevailing market conditions at the relevant employing body's termination date;
- any changes made to the methodology used to derive these bases (the Fund will decide at what point any such changes take effect).

31 March 2022 assumptions	Valuation funding	Corporate Bond*	Least Risk*
Discount rate	4.35% p.a.	2.8% p.a.	1.7% p.a.
CPI price inflation	3.1% p.a.	3.6% p.a.**	3.6% p.a.**
Pension increases/indexation of CARE benefits	3.1% p.a.	3.6% p.a.	3.6% p.a.

*\*The actual assumptions applied will be based on the profile of the individual employer – the above assumptions broadly reflect the profile of the Fund as a whole*

*\*\*For corporate bond and lower risk terminations, the "inflation Risk Premium" of 0.5% is removed from the derivation of the CPI assumption*

All demographic assumptions will be the same as those adopted for the most recent actuarial valuation (the Fund will decide at what point any post-valuation changes to the demographic assumptions take effect), except for the corporate bond and least risk basis in relation to the life expectancy assumption. Given these financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption. Currently, the assumed rate of long-term longevity improvement will be 2% p.a. rather than the 1.75% p.a. used for funding purposes, but this may be reviewed as necessary based on actuarial advice.

## (g) Benefit changes

Periodically changes are made to the Scheme benefits due to changes in Government policy, legislation or legal challenges. In some circumstances these may affect members accrued benefits, which will in turn affect liabilities and so termination positions. The Fund's policy is:

- where such changes are confirmed then they are allowed for as part of the termination assessment in line with the regulations;
- where such changes are proposed but not yet confirmed, the Fund will:
  - take a view as to the likelihood that the changes will be implemented;
  - where the Fund expects the changes to be implemented, include an allowance in the termination position for the estimated impact of the changes, on the basis that if no allowance is included in the termination



assessment, then the Fund will not be able to recover the additional cost from the outgoing Admission body at a later date, and so this will fall to the other Fund Participating Employers;

In cases where an allowance for potential changes that do not ultimately come into effect, the Fund will refund the value of the adjustment to the former Participating Employer where appropriate (i.e. where the Participating Employer received an exit credit due to a surplus, or paid any deficit in full).

#### **(h) Alternatives to immediate exit payment on termination**

The Fund's default policy is that on termination the Fund will assess the position in line with the above, and where an exit payment is due this will be required to be made immediately.

However, at the sole discretion of the Administering Authority, the following options may instead be applied:

- Suspension of the exit payment
- Spreading of the exit payment over an agreed period
- Instigation of a "Deferred Debt Agreement"

If a Participating Employer wants to use one of these options, they must make a request in writing covering the reasons why the option is appropriate, and provide any information subsequently requested by the Fund. Determining whether the options are available may take up to 6 months from receipt of any requested information, so it is important that employers make their request in good time.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the Participating Employer.

The following policy and processes will be followed in line with the principles set out in the statutory guidance dated 2 March 2021.

#### **Suspension notice**

Under Regulation 64, the Fund may issue a "suspension notice" for up to 3 years, where, in the reasonable opinion of the Administering Authority, the Participating Employer is likely to admit at least one active member within the period covered by the suspension notice.

A suspension notice will only be issued where the Participating Employer can demonstrate that it is likely that a new member(s) will be admitted, and that the employer's covenant and funding position is such that the Fund will not be exposed to an unacceptable level of risk. The suspension notice may be withdrawn by the Fund at any time if the Fund believes the conditions on which it was issued are no longer applicable.

#### **Spreading of exit payment**

The following process will determine whether an employer is eligible to agree a plan to spread their exit payment over a defined period:

1. The Administering Authority will firstly consider whether this is in the Fund's best interest. This decision will be based on a covenant review of the employer, to determine whether the exit debt is affordable at that time (based on advice from the Actuary, covenant and legal advisor as considered appropriate by the Administering Authority).
2. For this, the Administering Authority will request any information it deems necessary. This may include updated financial information, including management accounts, financial projections, and any other relevant information. If this is not provided, then spreading of the exit payment will not be permitted.
3. Depending on the length of the spread period, the size of the deficit, and the employer's covenant, the Fund may request security or other measures to support the payment plan. This may include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period.
4. If the Administering Authority's assessment confirms that the exit payment is not immediately affordable, it will engage in discussions about the potential spreading of the exit payment. As part of this, the following will be considered and agreed:
  - a. The spreading period (this is subject to a 5 year maximum);
  - b. The initial and annual payments due and how these will change over the period;
  - c. The interest rates applicable (all late payments will have interest added), and how the costs associated with implementing the payment plan will be recovered;
  - d. The level and form of any security required (e.g. bond, escrow account, etc);
  - e. The Participating Employer's responsibilities over the period (e.g. supply of updated covenant information);
  - f. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances); and
  - g. The views of the Actuary, covenant, legal and any other specialists necessary.
5. The Administering Authority will then make a final decision on whether spreading is appropriate. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

### **Deferred Debt Agreement**

Instead of making the exit payment, an employer may request to continue to participate in the Fund with no contributing members and utilise a "Deferred Debt Agreement" (DDA).

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will firstly consider whether this is in the Fund's best interest. This decision will be based on a covenant review of the employer, to determine whether the exit debt is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).
2. For this, the Administering Authority will request any information it deems necessary. This may include updated financial information, including management accounts, financial projections, and any other relevant information. If this is not provided, then a DDA will not be entered into by the Administering Authority.
3. The Fund may request security to protect the Fund before entering into such an arrangement. This could include a lump sum up front to reduce the size of the termination deficit.
4. If the Administering Authority's assessment confirms that the exit payment is not immediately affordable, it will engage in discussions with the employer about the potential format of a Deferred Debt Agreement using the template Fund agreement that will be based on the principles set out in the Scheme Advisory Board's separate guide (available on the SAB's website at [www.lgpsboard.org/index.php/empflexm](http://www.lgpsboard.org/index.php/empflexm)). As part of this, the following will be considered and agreed:
  - a. What security the Participating Employer can offer (generally a DDA will only be allowed where the Fund are confident the employer can support the arrangement on an ongoing basis, but in certain cases security may still be required). Provision of security may also result in a review of the recovery period and other funding arrangements;
  - b. The funding assumptions and investment strategy that would be applied to the employer;
  - c. The initial payment due (if any) and the updated secondary rate of contributions;
  - d. The financial information that will be required on a regular basis for covenant monitoring, and any other monitoring that will be required;
  - e. The responsibilities that would apply to the employer while they remain in the Fund;
  - f. What conditions would trigger changes to the recovery plan and also contributions (e.g. cash payment, provision of security)
  - g. What conditions would trigger changes to the DDA, including a cessation of the arrangement and an exit payment (or credit) becoming payable (e.g. removal of any security, a significant change in covenant, etc); and
  - h. The advice of the Actuary, covenant, legal and any other specialists necessary as determined by the Administering Authority.
5. The Administering Authority will then make a final decision on whether a DDA is appropriate and confirm the terms that are required.
6. Where a DDA is implemented, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the agreed triggers are met.

### **(i) Fund discretion**

Notwithstanding the above, where it is deemed to be appropriate the Director of Resources (Section 151 Officer) may use their discretion to:

- alter the basis and approach to the termination assessment;
- allow the guarantor, successor body or the Fund as a whole to subsume the funding deficit or surplus on closure, in place of a termination payment being required of the/to the Admission Body itself.

### **7.6.2 Fund Employers**

For Fund employers the general overall policy is that the principles and procedures outlined above should apply, whilst recognising that there may be specific circumstances which dictate that more flexibility may be needed in some cases.

As has been mentioned, the principle that the Council wishes to pursue is that of responsibility by each employer under the Fund for the liabilities of its employees or former employees who have liabilities under the Fund.

A termination assessment will always be carried out for “outgoing” Fund employers in accordance with Regulation 64 of the Regulations. The actuarial cost of this will be charged to the outgoing Fund employer, together with any other related costs of the termination.

The Council recognises that on admission a guarantee and/or indemnity may not have been provided and therefore different approaches will be needed depending on this issue.

Where contractual comfort has been obtained on entry into the Fund, the Council can adopt a more relaxed approach in that:

- if a previous Fund employer has agreed to subsume any orphan liabilities in relation to the outgoing Fund employer, arrangements can be agreed in relation to the Rates and Adjustments Certificate applicable to the Fund employer and/or any deficit on termination; or
- if a previous Fund employer has agreed to pay any deficit payment on exit, this will be taken into account in determining the terms upon which the deficit is calculated.

Where contractual comfort has not been obtained on entry into the Fund, the Council will be required to:

- monitor carefully the financial standing of the Fund employer and seek where considered necessary an alteration to the Rates and Adjustments Certificate to take this assessment into account; and
- seek recovery of any deficit calculated on exit from the Fund, and if unsuccessful apply pressure to former Fund employers.

## Admission & Termination Policy

### Appendix

#### Conditions of Participation for Admission Bodies

##### 1. PAYMENTS

- 1.1. The Admission Body shall pay to the Council for credit to the Scheme such contributions and payments as are due under the Regulations in respect of those employees who are eligible to participate in the Scheme.
- 1.2. The Admission Body shall pay to the Council for credit to the Scheme the employee and employer pension contributions on a monthly basis in arrears. The payment must be paid to the Council within 19 calendar days of the end of each month in which the pension contributions have been deducted.
- 1.3. The employer contribution rate required to be paid by the Admission Body will be assessed by an actuary appointed by the Council.
- 1.4. The Admission Body shall pay to the Council for credit to the Scheme any deficit contribution or offset any surplus against employer contributions as assessed by the Actuary during each financial year the payments fall due.
- 1.5. The Admission Body shall pay to the Council for credit to the Scheme any additional or revised contributions due as result of additional membership or pension being awarded or as a result of outstanding liabilities due should the admission agreement terminate. Payment will be due within 30 calendar days of receipt of a written request from the Council.
- 1.6. Any employees' Additional Voluntary Contributions ("**AVCs**") or Shared Cost Additional Voluntary Contributions ("**SCAVCs**") are to be paid direct to such AVC body and/or AVC insurance company selected by the Council Contributions shall be paid within 19 calendar days of the end of each month in which the contributions have been deducted.
- 1.7. Where the Admission Body certifies that:
  - 1.7.1. an eligible employee is retiring by reason of redundancy or in the interests of efficiency; or
  - 1.7.2. an eligible employee is voluntarily retiring with the Admission Body's consent before age 60; or
  - 1.7.3. the deferred benefit of an eligible employee is brought into payment with the Admission Body's consent either (i) on or after age 55 and before age 60 where they were a member of the LGPS on or before 31st March 2008; or (ii) on or after age 55 and before age 65 where they became a member on or after 1st April 2008; and immediate benefits are payable under the Regulations the Admission Body shall pay to the Council for credit to the

Scheme the sum notified to them in writing by the Council as representing the actuarial strain on the Scheme resulting from the immediate payment of benefits. Such sum to be paid within 30 calendar days of receipt of the written notification.

- 1.8. The Admission Body shall indemnify the Council against any financial penalty and associated costs and expenses incurred by the Council or by the Scheme arising from any failure by the Admission Body to comply with the terms of the Admission Agreement entered into by it, the Regulations or any overriding legislation. Such payment is to be paid within 30 calendar days of receipt of a written request from the Council.
- 1.9. If any sum payable under this Agreement or the Regulations by the Admission Body to the Council or to the Scheme has not been paid (in whole or in part) within the payment period specified (or otherwise in accordance with the Regulations) the Council may require the Admission Body to pay interest calculated in accordance with Regulations on the amount remaining unpaid.

## **2. ADMISSION BODY'S UNDERTAKINGS**

- 2.1. The Admission Body undertakes:
  - 2.1.1. to provide or procure to be provided such information as is reasonably required by the Council relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;
  - 2.1.2. to comply with the reasonable requests of the Council to enable it to comply with the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (as amended);
  - 2.1.3. to adopt the practices and procedures relating to the operation of the Fund as set out in the Regulations, the Council's Administration and Communications Policy and in any employer's guide or employer information published or held on the Council's pension administrator website;
  - 2.1.4. to formulate and publish within 3 calendar months of commencement a statement concerning the Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;
  - 2.1.5. to notify the Council of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;
  - 2.1.6. to notify promptly the Council in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment;

- 2.1.7. to immediately notify the Council and the Fund employer in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the Admission Body and the Fund employer including but not limited to take-over, reconstruction, amalgamation, liquidation, receivership or a change in the nature of its business or constitution;
- 2.1.8. not to do anything which would prejudice the LGPS' status as a registered pension scheme; and
- 2.1.9. to make available for public inspection at the Council and the Fund employer's office a copy of the Admission Agreement.

### **3. ACTUARIAL VALUATIONS**

- 3.1. The Council may periodically and shall at least on a triennial basis obtain from an actuary a certificate specifying in the case of the Admission Body the percentage or amount by which in the actuary's opinion the employer's contribution rate should be increased or reduced. This is with a view to ensuring that as far as is reasonably possible the value of assets of the Fund in respect of current and former eligible employees is neither materially more nor materially less than the anticipated liabilities of the Fund.
- 3.2. Upon termination of this Agreement the Council must obtain:
  - 3.2.1. an actuarial valuation of the liabilities of the Fund in respect of current and former Eligible Employees as at the date of termination; and
  - 3.2.2. a revision of any Rates and Adjustments Certificate within the meaning of the Regulations showing the revised contributions due from the Admission Body.
- 3.3. The costs of obtaining the actuarial valuation and certificates (or revisions to them) as required by the Council in respect of current and former eligible employees (other than the triennial valuation) shall be paid by the Admission Body within 30 calendar days of receipt of written notification of such costs from the Council.

### **4. RISK ASSESSMENT**

- 4.1. The Admission Body shall carry out to the satisfaction of the Council, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of services or assets by reason of insolvency, winding up or liquidation of the Admission Body.
- 4.2. The Admission Agreement shall provide that the Admission Body secures a guarantee in a form satisfactory to the Council from:



- 4.2.1. a person who funds the Admission Body in whole or part;
- 4.2.2. a person who owns or controls the exercise of the functions of the Admission Body; or
- 4.2.3. the Secretary of State in the case of an Admission Body which is established under any enactment, and whether that enactment enables the Secretary of State to make financial provision for that Admission Body.

## **5. TERMINATION**

- 5.1 The Agreement shall terminate at the end of the notice period upon the Council or the Admission Body giving a minimum of three calendar months' notice in writing to terminate this Agreement to the other party or parties to this Agreement.
- 5.2 The Agreement shall terminate automatically on the earlier of:
  - 5.2.1 the date of the expiry or earlier termination of the Contract (if the admission is of a fixed term); or
  - 5.2.2 the date the Admission Body ceases to be an Admission Body for the purposes of the Regulations; or
- 5.3 The Agreement may be terminated by the Council by notice in writing to the Admission Body taking immediate effect in the event of:
  - 5.3.1 the insolvency winding up or liquidation of the Admission Body;
  - 5.3.2 any breach by the Admission Body of any of its obligations under this Agreement provided that the Council shall if the breach is capable of remedy first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Council may specify;
  - 5.3.3 the failure by the Admission Body to pay any sums due to the Council or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Council requiring the Admission Body to do so; or
  - 5.3.4 the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

