



<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](#).