

# CUMBRIA PENSIONS COMMITTEE

Meeting date: 16<sup>th</sup> March 2021

From: Julie Crellin, Director of Finance (S151 Officer)

## MONITORING REPORT FOR THE QUARTER ENDED 30<sup>TH</sup> DECEMBER 2020 – PART 1

### **1.0 EXECUTIVE SUMMARY**

**1.1** *This detailed report advises Members of any material risk, administration, investment performance, governance, and policy issues of the Fund for the quarter ending 31<sup>st</sup> December 2020.*

**1.2** *The report identifies any current governance issues and national regulatory changes and outlines the performance of the whole portfolio and movement on liabilities over the quarter to 31<sup>st</sup> December 2020.*

### **1.3 Risk Management (Section 4):**

**1.3.1** *The Cumbria Pensions Committee follows accepted best practice across Pension Funds (including the LGPS) in formally reviewing the key risks identified for the Fund.*

**1.3.2** *The risk register (as presented in Appendix 1) outlines the key risks to the Fund.*

**1.3.3** *No risks have been added to the register between December 2020 and March 2021.*

**1.3.4** *One risk has been removed from the register during the quarter. The Government has announcement that it is to revoke the Exit Payment Cap legislation and consequently the risk associated with the implementation of that legislation has been removed from the Fund's risk register.*

### **1.4 Pensions' Administration (Section 5):**

**1.4.1** *Performance against key performance indicators for Local Pensions Partnership – Administration (LPPA) exceeded 99% (against the LPPA*

*target of 95%) for the quarter to 31<sup>st</sup> December 2020 consistent with the performance throughout 2020.*

## **1.5 Investment Management (Section 6):**

### **1.5.1 Fund Investment Performance:**

- The value of the Fund increased by £166m to £3,008m over the quarter to 31<sup>st</sup> December 2020 (£2,842m at 30<sup>th</sup> September 2020).*
- The Fund's investment performance (net of fees) over the quarter ended 31<sup>st</sup> December 2020 was a return of 6.4% against the fund-specific benchmark of 4.7%.*
- Long-term performance over the 5 years to 31<sup>st</sup> December 2020 is ahead of the Fund's specific benchmark (9.0% per year net of fees against a benchmark of 8.6%) and, over ten years the Fund return (net of fees) of 8.6% per year is above the benchmark of 8.0%.*

## **1.6 Oversight & Governance (Section 7):**

**1.6.1** *The Fund has continued to ensure it is appropriately compensated for any losses incurred from improper business practices through participation in class actions against appropriate companies.*

**1.6.2** *The Fund has continued its role as a responsible shareholder by maintaining effective oversight of voting and engagement activity with companies in which it invests.*

## **1.7 Oversight & Governance - Policy & Regulation (Section 8):**

**1.7.1** *The report notes that the Government announced that Exit Caps were to be disapplied with effect from 12<sup>th</sup> February 2021 and the legislation is to be revoked.*

**1.7.2** *An update is provided on progress with the McCloud remedy and the Good Governance Review. Details of a consultation to increase the minimum pension age are also presented with the report.*

**1.7.3** *There were no breaches reported to the Pensions Regulator during the quarter to 31<sup>st</sup> December 2020. Nine Fund discretions were exercised relating to the payment of death grants in the quarter.*

## **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

**2.1** *The Council's vision is to be "A Council that works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources". As part of the approach to delivering this vision the Council aims to "Put customers at the heart of everything we do".*

- 2.2** *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.*
- 2.3** *Content that can be reported within the public domain is presented within this Part 1 report to Pensions Committee with commercially sensitive information and information not for public disclosure being presented in the Part 2 Quarterly Monitoring report elsewhere on this agenda.*
- 2.4** *This report has been structured to consider risks associated with the Fund, followed by monitoring information presented in the broad format of the Business Plan, i.e. Pensions Administration, Investment Management and Oversight & Governance. This structure will enable Members monitoring of Fund activity to align to the objectives set out within the Business Plan of the Fund.*
- 2.5** *There are no direct equality implications arising out of the recommendations in this report.*

### **3.0** **RECOMMENDATIONS**

*It is recommended that the Pensions Committee:*

- 3.1** *Receive and note the performance and monitoring of the Fund for the period from 1<sup>st</sup> October 2020 to 31<sup>st</sup> December 2020; and*
- 3.2** *Note issues arising relating to the governance of the Fund.*

### **4.0** **RISK**

- 4.1** 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 Members formally reviewing these at Pensions Committee. This quarterly review process ensures consistent and timely Member oversight of risk monitoring and thereby provides enhanced due diligence in this regard.
- 4.2** The current risk register at March 2021 is presented at Appendix 1. No risks have been added to the register between December 2020 and March 2021.
- 4.3** One risk has been removed from the register during the quarter. The Government has announcement that it is to revoke the Exit Payment Cap legislation and consequently the risk associated with the implementation of that legislation has been removed from the Fund's risk register.

- 4.4 The risk scores for all other risks have been reviewed and no amendments have been considered necessary.
- 4.5 There is currently one risk assessed as “red” associated with information security arrangements. Additionally, there are 3 “amber” and 13 “green” rated risks.
- 4.6 Whilst the risk scores are unchanged from those reported to Committee in December 2020, the comments associated with some risks have been amended to reflect progress over the past quarter to update the controls and planned improvements for the information security risks, McCloud and the revoking of the Exit Payment Cap legislation.

## **5.0 PENSIONS ADMINISTRATION**

### **5.1 Local Pensions Partnership Administration (LPPA) Performance**

- 5.1.1 To enable the Committee to perform appropriate governance and oversight of Fund administration, the quarterly report to 31<sup>st</sup> December 2020 have been attached at Appendix 2.
- 5.1.2 In the quarter to 31<sup>st</sup> December 2020, performance against KPIs has exceeded 99% against the LPPA target of 95%. Indeed, performance has been above 99% every month since October 2019. The risk register notes that COVID-19 poses a risk to the administration service provided to the Fund. It is therefore a positive outcome that LPPA has continued with its good performance and has not been materially affected by the pandemic. As noted previously, the Fund will continue to provide robust scrutiny and challenge to the quality of service provided by LPPA to ensure that scheme employers are supported throughout the COVID-19 pandemic and any impact on scheme members is minimised.
- 5.1.3 The 2020/21 Q3 report notes that LPPA received 7 complaints in the quarter to December 2020 (a decrease from 8 in the previous quarter). The majority of complaints received in the quarter related to delays in the payment of benefits.
- 5.1.4 In addition to the industry standard indicators provided, the LPPA Performance Report also reports on whole system performance data by including statistics relating to the time taken from when a member requests to be put into pension until the time their pension is ready for first payment.
- 5.1.5 This period can be influenced by response times from the scheme member, employer or an AVC provider as well as by LPPA. While LPPA cannot control all these elements, monitoring the complete cycle is more representative of the scheme member experience. Such indicators help to inform the Fund of where any systematic blockages are occurring and thereby where to direct resources aimed at improving our members' experience.

5.1.6 The report identifies response times for new retirements for deferred members and active members with an analysis between the time taken for LPPA to process the retirements and the time cases are on hold due to information being required from the scheme member, employer, or AVC provider. Monthly data for Q3 is summarised in the table below. There is no specific KPI for LPPA with regard to the total time taken to put a scheme member into pension as there are a number of variables that influence each individual case, for example awaiting information from the scheme member, employer, AVC provider etc.

Time taken to put scheme members into pension:

|                                     | Deferred Members |        |        | Active Members |        |        |
|-------------------------------------|------------------|--------|--------|----------------|--------|--------|
|                                     | Oct 20           | Nov 20 | Dec 20 | Oct 20         | Nov 20 | Dec 20 |
| LPPA processing time (working days) | 28               | 28     | 23     | 31             | 29     | 29     |
| Case on hold (working days)         | 50               | 43     | 39     | 31             | 33     | 21     |
| Total Working Days                  | 78               | 71     | 62     | 62             | 62     | 50     |

5.1.7 LPPA have recently commenced reporting this level of information to the Fund in response to questions raised by this Committee.

5.1.8 It takes LPPA longer, on average, to put an active member into pension than a deferred member. This is due to often requiring additional information from employees before an active scheme member can be put into pension. Additionally, there is a greater likelihood that LPPA will be required to obtain information from AVC providers for active members than deferred members which can also add to the time taken to put a member into pension.

5.1.9 These average response times are skewed by a number of cases that have taken significant time to resolve. Of the 421 members put into pension in the quarter, 69 cases took over 100 days to complete (compared to 56 in the previous quarter). Of these:

- 57 were delayed due to information being required from the member before the pension could be determined;
- 7 were due to information waiting to be received from the employer or another payroll provider;
- 1 were due to delays with both the scheme member and the employer;
- 1 was delayed due to information being required by the AVC provider before the pension could be paid;
- 2 pensions were delayed due to both information being required from the AVC provider and delays in receiving information from the scheme member; and
- 1 was delayed due to administration issues with LPPA.

## **5.2 Employer Issues from 1<sup>st</sup> October 2020 to 31<sup>st</sup> December 2020**

5.2.1 No employers have joined, left or merged with other employers in the Fund during the quarter meaning that the number of employers within the Fund has remained at 126. A request for four new employers to join the scheme is outlined in a Part 2 report to this Committee.

## **5.3 Fund discretions applied**

5.3.1 During the quarter to 31<sup>st</sup> December 2020 there were nine administering authority discretions exercised in relation to payment of death grants, all of which exceeded £500.00 and were approved by the Fund's Discretions Panel.

## **6.0 INVESTMENT MANAGEMENT**

### **6.1 Asset allocation changes**

6.1.1 The Pensions Committee is responsible for approving the investment strategy and the target asset allocations for the Fund. In addition to this the Investment Sub Group is responsible for assisting the Section 151 in the implementation of certain decisions relating to the implementation of the investment strategy as set out in Part 20 of the Council's Constitution.

6.1.2 Details of movements towards the strategic asset allocation this quarter are provided in the Investment Sub Group Report elsewhere on this meeting's agenda.

### **6.2 Fund Performance**

6.2.1 The Pensions Committee focus is the long term strategic asset allocation and overall long term performance of the Fund. Individual manager monitoring is undertaken by the Investment Sub Group (ISG), with any matters of concern reported to the Committee in the quarterly ISG Report.

6.2.2 **Quarter Performance** - The Fund's assets increased in value from £2,842m at 30<sup>th</sup> September 2020 to £3,008m at 31<sup>st</sup> December 2020 as positive news on COVID-19 vaccines helped shares make gains. UK shares performed particularly well with the FTSE All Share returning 12.6% boosted by the Brexit trade deal. The largest contribution to performance was from the externally managed Border to Coast Global Equity Alpha fund which returned 13.7% strongly outperforming the MSCI (ACWI) benchmark by 5.3%.

6.2.3 This increase in the Fund value of £166m equates to a strong net of fees performance of 6.4% for the quarter ended 31<sup>st</sup> December compared to the benchmark of 4.7%.

6.2.4 Attributions of performance to each manager portfolio are detailed in the ISG report presented in Part 2 of this meeting.

6.2.5 The performance against the Fund's specific benchmark for 1, 3, 5 and 10 years is presented in the table below noting that long term performance (over 5 and 10 years) continues to exceed the benchmark.

|                  | 30 <sup>th</sup> September 2020 |                   |                       | 31 <sup>st</sup> December 2020 |                   |                       |
|------------------|---------------------------------|-------------------|-----------------------|--------------------------------|-------------------|-----------------------|
|                  | Cumbria Performance             | Bespoke Benchmark | Variance to Benchmark | Cumbria Performance            | Bespoke Benchmark | Variance to Benchmark |
| 1yr performance  | -0.7%                           | 2.0%              | -2.7%                 | 6.3%                           | 6.1%              | 0.2%                  |
| 3yr performance  | 4.8%                            | 5.6%              | -0.8%                 | 5.8%                           | 6.0%              | -0.2%                 |
| 5yr performance  | 8.3%                            | 8.2%              | 0.1%                  | 9.0%                           | 8.6%              | 0.4%                  |
| 10yr performance | 8.3%                            | 7.9%              | 0.4%                  | 8.6%                           | 8.0%              | 0.6%                  |

## 7.0 OVERSIGHT & GOVERNANCE

7.1.1 Good governance sets the framework within which Pension Funds can achieve and demonstrate good performance, sound management, the effective stewardship of funds and delivery against the standards and regulations placed upon them.

7.1.2 This section of the report sets out the formal review of governance by the Pensions Committee.

### 7.2 Class Actions

7.2.1 During the quarter the Fund joined a US class action against a medical device company, Zimmer Biomet Holdings Inc.

7.2.2 Income of £0.03m was received from class actions relating to Wells Fargo & co, Citigroup Inc, Amgen Inc and Fortis N.V.

### 7.3 Shareholder Voting

7.3.1 The Border to Coast Pensions Partnership Ltd (BCPP) UK Proxy voting report for the quarter ended 31<sup>st</sup> December 2020 can be viewed on the Council's [website, https://www.cumbria.gov.uk/elibrary/Content/Internet/536/654/1129/17170/17506/4424675610.pdf?timestamp=44246105022](https://www.cumbria.gov.uk/elibrary/Content/Internet/536/654/1129/17170/17506/4424675610.pdf?timestamp=44246105022). In summary, Robeco exercised shareholder votes at 22 UK AGM meetings on the Fund's behalf, with a total of 236 votes cast. Of these 213 votes were 'for' the respective Board's proposals, there were 21 votes 'against', and two abstentions.

7.3.2 The report provides further details on the meetings where there were votes 'against'. These predominantly related to the appointment of Auditors where the tenure and/or the fees were considered to be excessive; Board appointments, where Boards were deemed to lack sufficient independence and/or diversity; executive remuneration which was either deemed to be excessive or not sufficiently aligned to the long term performance of the company, and opposing all political donations due to reputational risks and democratic implications.

- 7.3.3 At the AGM of global mining company BHP Plc, the Australasian Centre for Corporate Responsibility (ACCR) raised their concerns on ESG related issues by submitting three Shareholder Resolutions. BCPP supported two of these (therefore voting against management) - one relating to increasing shareholder power and the other requesting that the company take steps towards the protection of indigenous cultural heritage sites. Following the meeting BHP made commitments to support national and state cultural heritage reform, an outcome which reflects the power that shareholder resolutions can have.
- 7.3.4 The BCPP Global Equity Alpha Proxy voting reports, for the quarter ended 31<sup>st</sup> December 2020 can be viewed on the Council's website, <https://www.cumbria.gov.uk/elibrary/Content/Internet/536/654/1129/17170/17506/4424675456.pdf?timestamp=44246105311>. In summary, Robeco exercised shareholder votes at 22 AGM meetings on the Fund's behalf, with a total of 158 votes cast. Of these 142 votes were 'for' the respective Board's proposals, there were 13 votes 'against', no abstentions, two 'withhold' votes and one 'other' vote. The 'other' vote relates to a resolution at Peloton Interactive Inc, where there were options rather than for/against voting.
- 7.3.5 The report provides further details on the meetings where there were votes 'against'. As with the UK meetings, many of these also related to Board appointments, where Boards were deemed to lack sufficient independence and/or diversity, and to executive remuneration which was either deemed to be excessive or not sufficiently aligned to the long term performance of the company. The report also highlights a Shareholder Resolution at Microsoft Corporation, regarding non-management employee representation on the Board. BCPP supported this proposal (therefore opposing management), however it was rejected by 95% of shareholders. Although several European markets have requirements for employee representation, it is still rare in the US.
- 7.3.6 BCPP also publish a Quarterly Stewardship Newsletter, which provides a high level overview of voting and engagement activity across **all** equity funds. It is a more concise document, summarising key issues/events and adds context to the Proxy Voting reports. A copy of the report for the quarter to 31<sup>st</sup> December 2020 is attached at Appendix 3 for information.
- 7.3.7 The report details how BCPP co-signed a letter to the Government in December alongside other investors, companies and business groups, highlighting the urgent need for them to set emissions targets for 2030 in line with the net zero 2050 target. In November, the UK Chancellor outlined new proposals to support sustainable finance including announcements that the UK's first green gilt will be issued in 2021 and that TCFD aligned reporting will be fully mandatory across the UK economy by 2025.
- 7.3.8 Legal and General (L&G) manage a global passive equity portfolio on behalf of the Cumbria LGPS including voting at shareholder meetings. During the quarter to 31<sup>st</sup> December 2020 L&G exercised votes at 840 meetings globally, registering 1,309 oppose votes; of which the main reasons related



to Directors e.g. appointment and remuneration. They also engaged with 428 companies globally, with the main engagement themes being environmental and governance related.

7.3.9 As members will recall, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) – a collaborative shareholder engagement group which seeks to protect the investments of its members by promoting the highest standards of corporate governance and corporate social responsibility. During the quarter to 31<sup>st</sup> December, LAPFF engaged with 145 companies to discuss a variety of issues, with climate change and human rights being forefront on agendas.

7.3.1 The All-Party Parliamentary Group for Local Authority Pension Funds (APPG) has recently launched an inquiry into ‘Responsible investment for a just transition’ to a net zero economy. The inquiry is being led by the Chair of the APPG, Clive Betts MP, with support from LAPFF. The aim is for its findings to be published ahead of the UN climate change conference in Glasgow in November 2021.

7.3.2 The focus is on the contribution that local authority pension funds and other institutional investors can make towards achieving a ‘just transition’. The inquiry will explore how the policies and practices of major investors can help decarbonise the economy in a way that protects beneficiaries and secures just transition to net zero emissions. The Group invites views and evidence submission from interested parties by 30<sup>th</sup> April 2021. BCPP Partner Funds are considering a joint response, and the Committee will be kept updated on developments.

## **7.4 Global Tax Recovery**

7.4.1 During the quarter to December 2020 there were no withholding tax (WHT) repayments. The Fund received an update on the status of the outstanding FIDs and Manninen claims, however because the information is not in the public domain and is classified confidential, details are included in the part 2 monitoring report to this meeting.

## **8.0 OVERSIGHT & GOVERNANCE - POLICY & REGULATION**

### **8.1 Regulatory Changes**

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

#### **8.1.2 McCloud Resolution**

8.1.2.1 As previously reported to Pensions Committee, MHCLG have consulted on the proposed resolution for the LGPS to the McCloud age discrimination case. The consultation closed on 8<sup>th</sup> October 2020 and MHCLG are expected to release their response shortly. Pensions

Committee and the Local Pension Board will be advised when further information is available.

### 8.1.3 Exit Payment Cap

- 8.1.3.1 In December, Pensions Committee were briefed on the implementation from 4<sup>th</sup> November 2020 of an Exit Payment Cap in the public sector limiting the amount payable by a public sector employer to exit an employee to £95,000. Pensions Committee were also informed that MHCLG had consulted on proposed amendments to LGPS regulations to further reform exit payments in the LGPS.
- 8.1.3.2 On 12<sup>th</sup> February, the Government issued the Exit Payment Cap Directions 2021 which disapplies the Restriction of Public Sector Exit Payments Regulations 2020 in England with immediate effect.
- 8.1.3.3 The guidance supporting the Direction confirms that the government will revoke the exit cap regulations in due course, but also notes that they will legislate again to tackle high cost exit payments.
- 8.1.3.4 For exits from 12<sup>th</sup> February 2021, LGPS administering authorities are required to revert to pay qualifying scheme members an unreduced pension under Regulation 30(7) of the LGPS 2013 regulations with the cost of the unreduced pension being paid by the relevant scheme employer.
- 8.1.3.5 No scheme members that left the Fund between the implementation of the cap and the notification that it was to be disapplied, had exit payments that would have exceeded £95,000 under the LGPS Regulations. Consequently, whilst the SAB is to release further guidance to administering authorities as to how to proceed with these cases, this will not be of relevance to the Fund. This is a positive result for the Fund and is in part a reflection of the effective and timely planning and communication with scheme employers.
- 8.1.3.6 As noted above, the Government has advised that “HM Treasury will bring forward proposals at pace to tackle unjustified exit payments”. MHCLG has confirmed that it will consult again on further reforms to exit payments following the original consultation that concluded in December 2020.
- 8.1.3.7 At this time, the Government has not confirmed when the exit cap or further reforms will be introduced, however, the Local Government Association have advised that public sector employers planning future workforce reform need to be aware that:
- An exit cap may be in force later in 2021; and
  - MHCLG may introduce further reforms to exit pay when the exit cap is reintroduced.

#### 8.1.4 Increasing the Pension Age Consultation

- 8.1.4.1 The normal minimum pension age is the minimum age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge (unless they are taking their pension due to ill-health).
- 8.1.4.2 On 11<sup>th</sup> February, HM Treasury launched a consultation in which the government reconfirmed its intention to legislate to increase the normal minimum pension age from 55 to 57 on 6<sup>th</sup> April 2028. Increasing the normal minimum pension age reflects increases in longevity and changing expectations of how long individuals are expected to remain in work and in retirement. The consultation notes that raising the normal minimum pension age to age 57 could encourage individuals to save longer for their retirement, and so help ensure that individuals will have financial security in later life.
- 8.1.4.3 The Local Government Association will respond to the consultation on behalf of the LGPS and officers will review the draft response to consider if any additional response should be provided on behalf of the Fund.

## 8.2 **Other Regulatory Changes**

- 8.2.1 There have been no further regulatory changes of note that affect the LGPS since the last meeting of the Committee in December. However, there are a number of matters that the Fund is maintain a watching eye on including:

### 8.2.2 Good Governance in the LGPS

- 8.2.2.1 In February 2021, the Scheme Advisory Board issued its final report on Good Governance in the LGPS, which is subject to final approval by MHCLG.
- 8.2.2.2 It is expected that MHCLG will produce statutory guidance to establish new governance requirements for LGPS Funds to effectively implement the proposals within the report.
- 8.2.2.3 Officers are currently reviewing the report and will present the SAB's proposals to Committee in June together within an action plan and timetable for addressing any amendments to governance arrangements within the Fund that will enable it to fully comply with the SAB's proposals. Officers will consider the resourcing implications of responding to the requirement to demonstrate good governance and update Members as necessary. Experience tells us that ensuring comprehensive compliance with reporting requirements of regulatory regimes; results in additional workload. A copy of the report is presented as Appendix 4 to this report and a summary of the key headlines is set out below:
- It is proposed that each Fund has a single named officer responsible for delivery of all LGPS related activity for the fund - "the LGPS Senior Officer".

- Each Administering Authority must publish an annual governance statement setting out how they comply with the requirements of the Good Governance Review. The report notes that most Fund's already produce an annual governance statement regarding delegation and representation on their Pensions Committee. The report therefore proposes that this is amended to include any additional requirements from the review.
- Funds will be required to produce and publish their own conflicts of interest policy reflecting that there are specific conflicts that arise between being managing the pension fund and the local authority environment.
- Skills and training requirements will be amended such that all key individuals (including Committee Members) will be required to have appropriate levels of knowledge and understanding. Currently the Committee is required to have "collective" knowledge and understanding.
- The Fund will be required to measure its performance against a set of key indicators. These indicators will include performance in relation to both Governance and Administration within the Fund.
- All LGPS Funds will be subject to a biennial Independent Governance Review (IGR) for all Funds. The IGR Reports will be assessed by a SAB panel of experts.

### **8.3 Fund Policies**

- 8.3.1 A comprehensive review of the Fund Policy Document is included as a separate report on Agenda item 11 on today's agenda.
- 8.3.2 The Fund has commissioned Eversheds Sutherland to undertake a review of its discretions policy to ensure it is compliant with current regulations. A training session on Administering Authority discretions will be provided at today's Committee meeting and the revised Discretions policy will be presented to Committee in June.

### **8.4 Legal breaches recorded / reported during the quarter**

- 8.4.1 All individuals with a role in the LGPS have a duty to report breaches of law to the Pensions Regulator when they have reasonable cause to believe that a breach of material significance has taken place. However, where a breach is not deemed material there remains a requirement to formally record the breach. To comply with this requirement the Fund maintains a register detailing every breach regardless of the size or extent of the breach.
- 8.4.2 In line with good governance and the Fund's policy and procedure on reporting breaches of the law, Pensions Committee are advised quarterly of:
- all legal breaches, including those reported to the Pensions Regulator and those unreported, with the associated dates;
  - details of what action was taken in relation to each legal breach, and the result of any action (where not confidential);

- any future actions for the prevention of the legal breach in question being repeated; and
  - highlights of new legal breaches which have arisen since the previous meeting.
- 8.4.3 Breaches by employers relating to late payment of pension contributions and failure to provide the Fund with monthly member payroll data are presented in the Part 2 Monitoring Report to this Committee.
- 8.4.4 The Fund had no breaches during the quarter that were considered sufficiently material that they would require reporting to the Pensions Regulator.

## **9.0 OPTIONS**

9.1 Pensions Committee may either:

- 9.1.1 Note the information presented within this quarterly monitoring report; or
- 9.1.2 Request further information relating to the performance, monitoring and governance of the Fund for the quarter ending 31<sup>st</sup> December 2020.

## **10.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

10.1 Good governance and risk management will aid the Fund's control costs and help achieve its defined actuarial investment returns. 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.

## **11.0 LEGAL IMPLICATIONS**

11.1 The Recommendations are for noting and do not have direct legal implications.

## **12.0 CONCLUSION**

- 12.1 The total Fund value has increased to £3,008m at 31<sup>st</sup> December 2020 (£2,842m at 30<sup>th</sup> September 2020).
- 12.2 The Fund return (6.4%) was 1.7% ahead of the fund-specific benchmark for the quarter (4.7%), with the longer term of five years and since inception outperforming their respective benchmarks.
- 12.3 The Fund has experienced no breaches during the quarter that were considered sufficiently material to report to the Pensions Regulator.

**Julie Crellin**  
**Director of Finance (S151 Officer)**

**16<sup>th</sup> March 2021**

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## **APPENDICES**

Appendix 1            Cumbria LGPS Risk Register (March 2021)  
Appendix 2            LPPA Performance 1<sup>st</sup> October 2020 to 31<sup>st</sup> December 2020  
Appendix 3            Border to Coast Quarterly Stewardship Newsletter 1<sup>st</sup> October  
to 31<sup>st</sup> December 2020  
Appendix 4            Good Governance in the LGPS - Phase 3

Electoral Division(s):    All

|   |                          |                          |                          |     |
|---|--------------------------|--------------------------|--------------------------|-----|
| Executive Decision  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No  |
| Key Decision  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No  |
| If a Key Decision, is the proposal published in the current Forward Plan?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | N/A |
| Is the decision exempt from call-in on grounds of urgency?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No  |
| If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | N/A |
| Has this matter been considered by Overview and Scrutiny?<br>If so, give details below.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No  |
| Has an environmental or sustainability impact assessment been undertaken?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | N/A |
| Has an equality impact assessment been undertaken?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | N/A |

## **PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS**

***No previous relevant decisions.***

## **REPORT AUTHOR**

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