

# **CUMBRIA PENSIONS COMMITTEE**

**Meeting date: 14 March 2023**

**From: Jo Moore, Interim Director of Finance (S151 Officer)**

## **CUMBRIA LOCAL GOVERNMENT PENSION SCHEME – FUND POLICY DOCUMENT - ANNUAL REVIEW**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 *It is a regulatory requirement that Fund Policy documents are kept up to date. In addition to updates when required throughout the year, it is good practice for the Pensions Committee to formally review all aspects of management and governance of the Cumbria Local Government Pension Scheme (LGPS) at least annually. This report incorporates all changes to existing policies (last published in November 2022) to reflect current circumstances and regulation changes in 2022/23.***
- 1.2 *Due to Local Government Reorganisation (LGR) in Cumbria, the seven current Councils covering Cumbria will be replaced by two new unitary councils from 1 April 2023 – Westmorland & Furness Council and Cumberland Council. The current Administering Authority, Cumbria County Council, will cease to exist after 31 March 2023. Westmorland & Furness Council will become Administering Authority of Cumbria Pension Fund from 1 April 2023.***
- 1.3 *The Fund Policy Document has been updated throughout to reflect the name and governance arrangements detailed within Westmorland and Furness Council’s newly approved constitution and as such this document will become effective from 1 April 2023. The existing Fund Policy document will remain in place until 31 March 2023.***
- 1.4 *During the year there were a number of substantive changes to policies in the Fund Policy Document prior to this general review:***
- 1.4.1 *The Investment Strategy Statement was amended to update the narrative regarding the consideration of risks;***

- 1.4.2** *The Funding Strategy Statement was amended to include the revised parameters approved within the 2022 Actuarial Triennial Valuation; and*
- 1.4.3** *Internal Control and Risk Management Policy, wording was added to highlight a new Cyber Governance Strategy.*
- 1.5** *Pensions Committee approved these changes in September 2022 and, following the conclusion of the required consultation with employers on the Funding Strategy Statement, the revised policies were adopted and published on the Fund’s website in November 2022.*
- 1.6** *Subsequent to this a number of further changes have been identified as appropriate and are proposed for approval. In addition to changes to reflect the aforementioned change in Administering Authority as a result of LGR, key changes include:*
- 1.6.1** *The Introduction (Section 1); Governance Policy Statement (Section 2) and Investment Strategy Statement (Section 4) have been updated to incorporate the newly approved constitution of Westmorland and Furness Council in respect of the management arrangements of Cumbria Pension Fund.*
- 1.6.2** *The Administration Strategy & Communications Policy (Section) 3 has been updated to reflect the changes in terminology used by Local Pensions Partnership Administration (LPPA) following a transition to a new pensions administration system.*
- 1.6.3** *The Training Policy & Plan (Section 9) has been fully updated to ensure continued compliance with tPR’s expectations for Member and officer training and its requirements in relation to acquiring and maintaining an appropriate degree of knowledge and understanding. In particular, it has been updated to reflect enhancements being made to the Fund’s induction programme in response to the significant number of new members that will undertake governance roles in relation to the Cumbria Pension Fund during 2023/24 as a result of LGR.*

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

- 2.1** *The Fund must maintain and publish Fund Policies. Robust governance arrangements help to ensure good management of the Fund and help contribute to investment performance. Investment performance will have a direct impact on the funding level of the Fund and therefore the employers’ contribution rates. This will in turn impact on the Fund employers’ revenue budgets.*
- 2.2** *Each policy will be subject to an individual equality impact assessment as it is considered. There are no additional equality implications arising out of the recommendations of this report.*

### **3.0 RECOMMENDATION**

*It is recommended that Members:*

- 3.1 Approve the changes to the Introduction and Governance Policy Statements related to the new constitution of Westmorland and Furness;**
- 3.2 Approve the changes to the Administration Strategy and Communications Policy, related to the changes in terminology used by Local Pensions Partnership Administration (LPPA);**
- 3.3 Note that the Fund's Stewardship Report 2020/21 has been assessed by the Financial Reporting Council (FRC) as meeting the requirements of the FRC's UK Stewardship Code 2020;**
- 3.4 Approve the changes to the Investment Strategy Statement;**
- 3.5 Approve the updated Training Policy and 2023/24 Training Plan; and**
- 3.6 Note and approve the other minor amendments made throughout the Fund Policy Document.**

### **4.0 BACKGROUND**

- 4.1 Management and governance of the Cumbria LGPS consists of two main elements –
  - managing the investments of the Fund, and
  - administration i.e. dealing with Fund members and participating employers.
- 4.2 The Pensions Regulator code of practice no. 14 – Governance and Administration of Public Service Pension Schemes (the public service code) was first issued in April 2015. The code provides scheme managers (the local Administering Authority) and pension board members with a summary of their key governance and administration duties, standards of conduct and practice expected in relation to those duties.
- 4.3 The code contains practical guidance in four core areas of fund governance and administration: governing your fund, managing risks, administration and resolving issues. This guidance has been considered when undertaking the annual review of the Fund Policies to ensure they comply with the code and meet the standards expected by the Regulator.
- 4.4 Due to the forthcoming implementation of the Pensions Regulator's new single Code of Practice, anticipated in the coming months. Whilst the new Code, is still in draft format, where appropriate it has been during this review; for example, it is expected to increase expectations and standards in a number of areas including knowledge and skills and this is reflected in the new Training Policy

## **Changes to Policy Documents:**

- 4.5 Due to Local Government Reorganisation (LGR) in Cumbria, the seven current Councils covering Cumbria will be replaced by two new unitary councils from 1 April 2023 – Westmorland & Furness Council covering the existing areas of Barrow, Eden and South Lakeland, and Cumberland Council covering the existing areas of Allerdale, Carlisle and Copeland. The current Administering Authority, Cumbria County Council, will cease to exist after 31 March 2023. Westmorland & Furness Council will become the Administering Authority of Cumbria Pension Fund, and this has been set out in legislation via a Statutory Instrument.
- 4.6 The Fund Policy Document has been updated throughout to reflect the name and governance arrangements detailed within Westmorland and Furness Council's newly approved constitution and as such this document will become effective from 1 April 2023. The existing Fund Policy document will remain in place until 31 March 2023.
- 4.7 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. During the year there were a number of substantive changes to policies in the Fund Policy Document prior to this general review:
- The Investment Strategy Statement was amended to update the narrative regarding the consideration of risks;
  - The Funding Strategy Statement (FSS) was amended to include the revised parameters approved within the 2022 Actuarial Triennial Valuation; and
  - Wording was added to the Internal Control and Risk Management Policy to highlight a new Cyber Governance Strategy. The strategy captures the mitigations the Fund has in place for the management of its most significant risk (Information security arrangements), however due to the confidential content, the strategy is not published.
- 4.8 Pensions Committee approved these changes in September 2022 and, following the conclusion of the required consultation with employers on the FSS, the revised policies were adopted and published on the Fund's website in November 2022.
- 4.9 In addition to ongoing review throughout the year, in accordance with best practice the Fund Policy document is also subject to a formal annual review. This report summarises the outcome of this formal annual review process. The proposed amended Fund Policy document is set out at Appendix 1 and a summary of proposed amendments is set out below.
- 4.9.1 In the main, the proposed changes to the document are set out as highlighted text. However, due to the scale of changes to the following policies, the amendments have not been highlighted to allow for a full review:
- Introduction;
  - Governance Policy Statement; and
  - Training Policy and Plan.

- 4.9.2 Where the changes are of a routine, minor or correctional nature, the changes have not been highlighted, for example:
- to reflect the change from Cumbria County Council to Westmorland and Furness Council as the administering authority of the Fund,
  - to reflect the change to the financial year, and
  - to correct spelling, grammar or punctuation etc.
- 4.10 This report seeks agreement for these changes. Where a section of the document has not been amended (other than for routine or minor changes as described at 4.9.2 above), this has been stated in the list below.
- 4.11 **Introduction:** This has been updated to incorporate a summary of the newly approved constitution of Westmorland and Furness Council in respect of the management arrangements of Cumbria Pension Fund.
- 4.12 **Governance Policy Statement:** This has been updated to incorporate a summary of the newly approved constitution of Westmorland and Furness Council in respect of the management arrangements of Cumbria Pension Fund.
- 4.13 **Administration Strategy & Communications Policy:** This has been updated to reflect the changes in terminology used by Local Pensions Partnership Administration (LPPA) who provide administration services for the Cumbria Pension Fund, following a transition to a new pensions administration system.
- 4.14 **Investment Strategy Statement (ISS):** This has been updated to incorporate aspects of the newly approved constitution of Westmorland and Furness Council in respect of the management arrangements of Cumbria Pension Fund, specifically the Investment Sub Group.
- 4.15 It has also been updated to note that the Fund's Stewardship report 2021/22 has once again been assessed by the FRC as meeting the requirements of 'the Code'. As such Cumbria Local Government Pension Scheme is listed as a signatory to 'the Code' and can now utilise the following logo:



- 4.16 In addition, changes have been made to include details two temporary changes to the Investment Strategy Advisory Ranges for asset classes that are detailed to Members in the Investment Sub Group Activity report at item 17 of today's agenda.
- 4.17 **Cash Investment Policy:** The amendments made are minor to update the values of the cash holding limit figures as at December 2021.

- 4.18 **Funding Strategy Statement (FSS):** There have been no material amendments made to this policy, therefore this policy has not been included in the appendix to minimise pack size and reduce printing costs.
- 4.19 **Admissions & Termination Policy:** This has been updated to reflect details of the 2022 actuarial valuation, the amendments are not material and therefore this policy has not been included in the appendix to minimise pack size and reduce printing costs.
- 4.20 **Discretions Policy:** There have been no material amendments made to this policy, therefore this policy has not been included in the appendix to minimise pack size and reduce printing costs.
- 4.21 **Training Policy including the 2023/24 Learning Programme:** The training policy has been subject to a more detailed review this year primarily due to the forthcoming implementation of the Pensions Regulator’s new single Code of Practice, anticipated in the coming months. The new Code, whilst still in draft format, is expected to increase expectations and standards in a number of areas including knowledge and skills. The new Policy includes a commitment to develop a ‘Member Handbook’ which will contain key information for the Fund which should be a useful reference document for all Committee and Board members, but specifically for those new to the Cumbria Pension Fund.
- 4.22 The Policy also introduces the concept of a ‘Pensions Knowledge Library’, an on-line portal for sharing useful information for Committee and Board, including confidential material. The Fund currently uses such a portal for Pension Board members and the intention is to expand this further. In the meantime, various Fund documents including policies, are available on the Fund’s website <https://www.cumbriapensionfund.org/>.
- 4.23 The Policy also includes the annual learning programme for 2023/24. Given Local Government Reorganisation, significant training has already been provided to members of the two new Cumbria councils during Q1 2023. The details of learning programme for the coming financial year will be developed further once the members of the new Committee and Board are appointed.
- 4.24 The main areas of focus identified as priorities for the initial Learning Programme for both the Committee and the Board in the coming year are shown below.

Training Topics
Regulatory framework relating to the Pensions environment and the Local Government Pension Scheme (‘the Scheme’).
Administration and rules of the Scheme, it’s Funding and governing bodies.
Governance arrangements of the Scheme, and how this works within a Local Authority environment.
Regulations relating to Investments of the Scheme, Investment Strategy and LGPS Pooling.

Training Topics
Cumbria Pensions governance structure, including conflicts of interest, Policies such as the training policy, the role of the Board, reporting of breaches and other compliance reporting requirements.
Cumbria's Pension Administration provider Local Pensions Partnership Administration (LPPA), arrangements for the service provision and oversight, internal roles vs LPPA including current and forthcoming issues.
Review of the Fund's current Asset Allocation, basic funding information, roles of the Fund's Advisors, Consultants, Officers and Members including the Investment Sub Group (ISG).
LGPS Pooling, our pool Border to Coast Pensions Partnership (BCPP), the Fund's role as both Shareholder and Customer, including the oversight and governance of BCPP.
Stewardship Reporting including ESG (Environmental, Social and Governance factors) including the role of BCPP and our membership of LAPFF (Local Authority Pension Fund Forum)
Current Investment related issues including Inflation, a review of the Investment Strategy, possible transition of BCPP UK Direct property to BCPP and increased climate reporting requirements.
The implications of the resolution to the McCloud age discrimination case and the expected Cap on Exit payments for the public sector schemes and specifically the Cumbria Pension Fund (once both sets of regulations have been finalised).
The implications for the Fund of the Pension Regulator's Consolidated Code of Practice (once it has been finalised).
The implications of the LGPS Governance and Climate Risk Reporting regulations and statutory guidance (once it has been finalised).

- 4.25 The summary above is not an exhaustive list; in addition to the topics noted above learning opportunities will be arranged as required on any emerging issues which arise throughout the year. These may include updates to the governance of the LGPS arising from the implications any legislative or regulatory amendments that may arise.
- 4.26 The complete updated Training Policy and Plan has been included in the Fund Policy Document without any highlighting to allow for a full review.
- 4.27 **Policy and Procedure for Reporting Breaches of the Law:** There have been no material amendments made to this policy, therefore this policy has not been included in the appendix to minimise pack size and reduce printing costs.
- 4.28 **Internal Control & Risk Management Policy:** There have been no amendments made to this policy other than to include the most up to date example of the risk register, presented to Members at item 11 of today's agenda. This policy has not been included in the appendix to minimise pack size and reduce printing costs.

## **5.0 OPTIONS**

- 5.1 Members of the Pension Committee may decide to:
  - 5.1.1 Accept the proposed amendments to the Fund Policies,
  - 5.1.2 Ask Officers for further information, or
  - 5.1.3 Consider and propose further amendments to the document.

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

- 6.1 Achieving value for money should be and is an objective considered for the Cumbria LGPS as part of all policy reviews. Clearer, less bureaucratic policies and procedures aid in reducing administration costs. Additionally, adherence to regulatory and legislative requirements avoids potential expensive investigatory procedures and fines.

## **7.0 LEGAL IMPLICATIONS**

- 7.1 The Administering Authority (i.e. the County Council) has various regulatory responsibilities to maintain and review policies in relation to its investment strategy and administration of the pension fund. It is the responsibility of the Pensions Committee to consider and determine proposed changes to pensions policies.
- 7.2 Under Part 2H of the Constitution 2.2 (f) provides that the Committee annually review (as a minimum) and approve any amendments to the statutory policy statements as required by Local Government Pension Scheme Regulations.
- 7.3 Under Part 2H of the Constitution 2.2 (g) provides that the Committee should annually review the Investment Strategy Statement and oversee the performance of all investment managers in the delivery of the Investment Strategy.
- 7.4 Under Part 2H of the Constitution 2.2 (i) provides that the Committee should produce and maintain an Administration and Communications Policy for the Pension Scheme for the admission of employing bodies as contributors to the Scheme; that fulfils all communication and consultation requirements with employers of the Scheme.
- 7.5 Under Part 2H of the Constitution 2.2 (k) provides that it is a function of Pensions Committee to approve and annually review the Pension Fund's training policy to ensure those charged with the management of the Fund (members and officers of the County Council) are appropriately experienced and qualified.



## 8.0 CONCLUSION

- 8.1 Effective and up to date Fund Policies demonstrate the good governance of the Fund and helps members, employers, the administration providers (LPPA) and the Administering Authority work together to fulfil their responsibilities in administering the Fund.

**Jo Moore**  
**Interim Director of Finance (S151 Officer)**

**14 March 2023**

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### APPENDICES

#### **Appendix 1: Fund Policy Document March 2023 – effective from 1 April 2023**

Electoral Division(s): All

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

***N.B. If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and necessary approvals have been obtained.***

### PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

***No previous relevant decisions***

### REPORT AUTHOR

Contact: Lucy Taylor, Finance Manager - Pensions, Investments & Governance,  
Pensions & Financial Services, Finance Directorate  
(01228) 226279  
[lucy.taylor@cumbria.gov.uk](mailto:lucy.taylor@cumbria.gov.uk)