

# **CUMBRIA PENSIONS COMMITTEE**

**Meeting date: 14 March 2023**

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

## **DRAFT PENSIONS ADMINISTRATION BUSINESS PLAN AND BUDGET 2023/24**

### **1.0 EXECUTIVE SUMMARY**

**1.1 This report advises Members of:**

**1.1.1 The Draft Business Plan for 2023/24 setting out the Pension Fund's proposed work plan for the year; and**

**1.1.2 The Draft Budget 2023/24 required to deliver the proposed Business Plan for the Cumbria Local Government Pension Scheme (the Fund).**

### **DRAFT BUSINESS PLAN 2023/24**

**1.2 It is expected that the Fund will continue to experience a number of challenges throughout 2023/24 across all functions of the Fund including effective pension administration service, investment of Fund assets, and the continual review and improvement of governance arrangements. The proposed business plan seeks to address these challenges.**

**1.3 Given the challenges to the Fund in the coming year associated with, but limited to, Local Government Reorganisation and expected regulatory changes, it is anticipated that some refinement to the Business Plan may be required in 2023/24 as workloads permit for key officers. Amendments will be reported to the Committee as required as the Business Plan 2023/24 remains ambitious.**

**1.4 Effective governance and operation are required to ensure the Fund is appropriately managed and can meet these changes and any new developments due to the changing national agenda for the LGPS.**

### **DRAFT BUDGET 2023/24**

- 1.5** *To take account of the national requirements and the associated Business Plan the budget proposed to administer the Fund in 2023/24 is £20.158m. This represents an increase of £12.680m compared to the originally approved 2022/23 budget. The key driver of the increase is a change in the methodology for the budgeting for investment management fees. This change is explained in detail at Item 13 of today's agenda but it is important to note that it does not relate to new additional costs being incurred by the Fund; were the 2022/23 budget restated using the 2023/24 methodology the overall change in the proposed budget would be an increase of £0.273m (1.4%).*
- 1.6** *This budget will be reviewed during the year and, if appropriate, recommendations for amendments to the 2023/24 budget will be presented to Pensions Committee.*

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

- 2.1** *Good governance including the development of an annual business plan and associated budget 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.*
- 2.2** *The costs of administration of the Cumbria LGPS have a direct impact on the funding level of the Scheme and therefore the rate of employers' contribution. This will in turn impact on the employers' revenue budgets.*
- 2.3** *There are no direct equality implications arising out of the recommendations in this report.*

## **3.0 RECOMMENDATION**

*It is recommended that Members:*

- 3.1** *Approve the draft Business Plan for 2023/24; and*
- 3.2** *Approve the draft budget required to administer the Cumbria LGPS of £20.158m for 2023/24 (which has been constructed in support of the activities outlined in the Draft Business Plan).*

## **4.0 BACKGROUND**

- 4.1** *As part of good governance arrangements, and in accordance with Part 2(H) Section 2.2(j) of the Constitution, the Pensions Committee annually approves a business plan and associated budget for the following year. Additionally, the Committee reviews the half-year performance against both the business plan and the budget to ensure that items are on track for delivery.*

## **DRAFT BUSINESS PLAN 2023/24**

- 4.2 The purpose of the Cumbria LGPS annual Business Plan is to outline the Fund's goals and objectives, as well as providing an Action Plan for monitoring purposes in order to ensure these objectives are delivered. Much of the work undertaken is not confined to a single year time horizon and therefore each year's plan as well as looking forward to meet future requirements also builds on those prepared for earlier years.
- 4.3 The detailed Action Plan in support of the delivery of the Draft Business Plan for 2023/24 is attached at Appendix 1. This sets out the proposed key objectives that the Fund would seek to achieve during the year and the tasks required to ensure these objectives are delivered.
- 4.4 These key objectives have been categorised into the three main areas of activity - Pensions Administration, Oversight & Governance, and Investment Management.
- 4.5 The key objectives are set out below with further details including actions to be taken to deliver each of the objectives being presented in Appendix 1.

### Pensions Administration

- Work with Local Pensions Partnership – Administration (LPPA) to address any pension administration issues arising associated with Local Government Reorganisation (LGR) within Cumbria.
- Appraise the impact of revised regulations arising from the resolution to the McCloud age discrimination case and the re-running of the cost cap process and implement any required changes to the scheme.
- Continue to improve pension administration arrangements for the benefit of all members and employers of the Fund.
- Embedding of new pensions administration system ("UPM") by LPPA into the Fund.
- Continual improvement programme for the quality of data held by the Fund.
- Continue to monitor and improve employer data submission issues.
- Maintain effective communication and liaison with Fund employers to meet the data requirements of the Pensions Regulator.

### Oversight & Governance

- Address any issues associated with the governance of Cumbria Pension Fund resulting from LGR.
- Completion of the 2022/23 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory / technical changes.

- Review of governance arrangements in response to financial, regulatory, and structural changes.
- Review and update the Fund risks, policies and strategies.
- Review, measure and deliver training to Members and Officers as outlined in the Training Plan.

#### Investment Management

- Undertake a full Investment Strategy Review, to consider the key outcomes of the 2022 actuarial valuation and their implications for the Fund going forwards.
- Seek suitable investment options to implement the Investment Strategy approved by Pensions Committee
- Monitor progress in moving towards the final target Investment Strategy and keep its ongoing suitability under review.
- Liaise with Border to Coast Pensions Partnership Ltd to ensure that suitable opportunities are available within the pool for the Fund to transition to its amended investment strategy.

4.6 A copy of the draft business plan is presented as Appendix 1 to this paper.

### **DRAFT BUDGET 2023/24**

4.7 The Draft Budget for 2023/24 attached at Appendix 2 details the total proposed cost of administering the Fund as being £20.158m, an increase of £12.680m compared to the previous year's budget. A summary of the areas that contribute to this increase is provided below, of which the majority relates to Investment Management fees which are presented in detail at Item 13 of today's agenda:

Increased Pensions Administration (LPPA) costs	+ £0.250m
Increased Staffing costs	+ £0.056m
Increased Pension Board costs related to changes in membership	+ £0.033m
Reduced Actuarial costs following completion of 2022 Valuation	- £0.060m
Increased Audit costs following a national procurement process	+ £0.018m
Other net minor budget movements	+ £0.010m
<b>Total increase in 2023/24 Administration and Oversight &amp; Governance budget</b>	<b>+ £0.307m</b>
Change in Investment Management Fees detailed in Part 2 Agenda Item 13 and as summarised at 4.18 to 4.21	+ £12.373m
<b>Total increase in 2023/24 Cumbria Pension Fund budget</b>	<b>+ £12.680m</b>

## Staffing

- 4.8 The draft 2023/24 staffing budget for Pension Services is £0.803m compared to £0.748m in 2022/23. This includes an inflationary allowance of 5% for the 2023/24 pay award (consistent with the assumption used for development of Westmorland & Furness Council's budget). Employer contribution rates to the pension fund are 18.9% as determined at the 2022 actuarial valuation for Westmorland & Furness Council. The comparable rate for the Pension Fund in 2022/23 was 18.4% as set at the 2019 valuation for Cumbria County Council.
- 4.9 There are no proposed amendments to the staffing structure for the management of Pension Fund in 2023/24.
- 4.10 Staffing costs are split across the Pension Fund budget as detailed below:

	2022/23 Draft Budget (£)	2023/24 Draft Budget (£)	Movement (£)
Administration:			
Employer Funding & Accounting	344,200	371,000	26,800
Oversight & Governance:			
Pension Board	47,400	50,700	3,300
Other Governance	355,900	381,600	25,700
<b>Total Staff Budget</b>	<b>747,500</b>	<b>803,300</b>	<b>55,800</b>

## Administration

- 4.11 The administration of the Fund is undertaken through a delegated arrangement with Lancashire County Council by Local Pensions Partnership – Administration (LPPA).
- 4.12 The budgeted cost per member for LPPA has increased from £24.63 in 2022/23 to £27.98 in 2023/24. This equates to an increase of £3.35 (13.6%) per scheme member and is comprised of:

	Unit Price per Scheme Member
2022/23 budgeted unit price per scheme member	£24.63
Regulatory changes associated with McCloud and the Pension Dashboard	£1.59
Resilience roles to support the business in improving performance. LPPA forecast these roles to drop out from January 2024 as the benefits of UPM materialise	£1.65
Inflation	£0.97
Efficiencies across the service	(£0.86)
<b>2023/24 budgeted unit price per scheme member</b>	<b>£27.98</b>

- 4.13 It is provisionally forecast that the unit price will decrease to £27.45 per scheme member in 2024/25 and then decrease again to £26.66 per scheme members in 2025/26.
- 4.14 The number of scheme members within the Fund has increased during the year to 60,666 resulting in the cost of this service increasing from £1.447m in 2022/23 to £1.697m in 2023/24.

### ***Oversight & Governance***

- 4.15 The Oversight & Governance budget is recommended to be increased from £0.858m in 2022/23 to £0.888m in 2023/24 – an increase of £0.030m.
- 4.16 This increase reflects the forecast additional staffing costs referred to in section 4.8 - 4.10 above and an increase in the costs of the Pension Board related to changes in the Board structure including the introduction of an Independent Chair and the need to readvertise for replacement members; off-set by a reduction in actuarial costs following the completion of the 2022 actuarial valuation.
- 4.17 Additionally, an increased budget of £0.018m has been included to cover the anticipated rise in external audit fees following the outcome of the Public Sector Audit Appointments Ltd (PSAA) procurement of public sector auditors, together with a number of minor incremental movements across some other budget headings netting to an additional £0.010m.

### ***Investment Management***

- 4.18 As noted in section 1.6 above there has been a change in the methodology for the setting of the budget for investment management fees. This change is explained in detail at Item 13 of today's agenda but, in summary, the change in methodology is in line with changes agreed in discussions with the Committee in June 2022.
- 4.19 This change has resulted in a significant estimated increase in the budget for Investment Management fees for the Fund in 2023/24. The proposed budget for Investment management fees is recommended to be increased by £12.373m from £4.797m in 2022/23 to £17.170m in 2023/24. £12.194m of this increase relates to the change in budget setting methodology.
- 4.20 It is important to note the inclusion of these costs does not relate to new additional costs being incurred by the Fund; were the 2022/23 budget restated using the 2023/24 methodology the change in the Fund's proposed budget for 2023/24 would be an overall increase of £0.273m (1.4%).
- 4.21 Investment Management fees are based on the value of the assets invested and are estimated considering a significant number of variables assumptions many of which are outside of the Fund's control, such as global economic conditions, currency fluctuations and Investment Manager performance (e.g. if actual performance of the portfolio is greater than originally projected, the investment manager fees will exceed budget).

## **5.0 OPTIONS**

- 5.1 Members are recommended to approve the draft business plan and associated budget for 2023/24.
- 5.2 Alternatively, Members may request Officers to undertake work different from that outlined in the business plan and adjust the budget accordingly.

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

- 6.1 Resource and value for money implications are mentioned throughout this report.
- 6.2 When assessing the costs of investment manager fees, it must be recognised that these are based on the performance of the fund. If actual performance of the portfolio is greater than originally projected, the investment manager fees are liable to exceed the approved budget.
- 6.3 Costs of administering the Cumbria LGPS will have a direct impact on the funding level of the Scheme which in turn affects the rate of employers' contribution.

## **7.0 LEGAL IMPLICATIONS**

- 7.1 Under Part 2H of the Constitution 2.2 (j) provides it is a function of the Pensions Committee prior to the commencement of the financial year to approve an annual business plan and associated budget for that year to cover all matters of expenditure to be charged to the Pension Fund and to review performance against this throughout the year.

## **8.0 CONCLUSION**

- 8.1 Active performance management and strong governance are required to provide an efficiently managed Pension Fund. The Members as de facto Trustees of the Fund have a statutory duty to ensure activities and appropriate budgetary provision are in place to deliver these requirements. This requires trained Members with the required skills and experience to function as a group with appropriate support from qualified Officers and Specialist Advisors.
- 8.2 Active management through setting, reviewing and monitoring against a detailed Business Plan and Budget are essential to achieve a robust governance and performance framework.

**Jo Moore**  
**Interim Director of Finance (Section 151 Officer)**

**14 March 2023**

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## **APPENDICES**

**Appendix 1**    *Draft Business Plan 2023/24*

**Appendix 2**    *Cumbria LGPS 2023/2024 Draft Budget*

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? 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

***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**

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## Appendix 1 - 2023/24 Draft Business Plan

Objective	Why	How – 2023/24 Draft Business Plan	
<b>1. Pensions Administration</b>			
1.1	<p>Work with LPPA to address any pension administration issues arising associated with Local Government Reorganisation (LGR) within Cumbria.</p>	<p>From 1 April 2023, Cumbria’s current six District Councils and Cumbria County Council will be replaced by two new unitary authorities (Cumberland Council and Westmorland &amp; Furness Council) with responsibility for Cumbria Fire &amp; Rescue Services transferring to the Police and Crime Commissioner (PCC).</p> <p>All staff within the legacy Councils will TUPE to either one of the new Councils or to the Cumbria Commissioner Fire &amp; Rescue Service (under the PCC) on 1 April 2023. Scheme members affected by these TUPE arrangements will continue to be advised as to how LGR may affect their pension option.</p> <p>The two new employers will be required to comply with the Fund’s policies e.g. Fund Administration</p>	<p>Scheme members affected by LGR will be given information prior to vesting date as to their options, rights and decisions that can be made regarding their pension after the TUPE transfer.</p> <p>Support will continue to be provided to affected scheme members throughout 2023/24 as appropriate. This will include through the Fund’s website which will include information on TUPE transfer and pensions and will be updated to ensure members are kept informed.</p> <p>The two new employers will have access to training opportunities provided by LPPA to ensure they are aware of their obligations to the Fund.</p>
1.2	<p>Appraise the impact of revised regulations arising from the resolution to the McCloud age discrimination case and the re-</p>	<p>In 2019, the Supreme Court denied the government leave to appeal the findings of an employment tribunal related to age discrimination in two separate public sector</p>	<p>Officers will review the resolution to the McCloud case and subsequent cost cap process when they become available.</p>

<b>Objective</b>		<b>Why</b>	<b>How – 2023/24 Draft Business Plan</b>
	running of the cost cap process, and implement any required changes to the Scheme.	<p>pension schemes.</p> <p>MHCLG have consulted on a proposed resolution to the age discrimination and revised LGPS Regulations are expected to be enacted in 2023.</p> <p>Officers of the Fund will continue to monitor the resolution and amendments to regulations to ensure that the Fund continues to provide an accurate pension scheme for its scheme members.</p>	<p>Officers will confirm that Local Pension Partnership - Administration (LPPA) are appropriately liaising with employers to ensure the Fund has the capacity and information required to comply with any amendments to regulations.</p> <p>Pensions Committee and the Local Pension Board will be briefed on any amendments and the impact this may have on the Fund.</p>
1.3	Continue to improve pension administration arrangements for the benefit of all members and employers of the Fund.	Provision of a high quality pensions benefits service to current active members, deferred members and pensioners/dependents is crucial to the Fund.	<p>Continue working closely with Lancashire County Council for the provision of administration arrangements.</p> <p>Review, and challenge the performance of LPPA through robust monitoring of key pensions administration indicators. Work with LPPA to consider ways to improving member communication, engagement and support provided to employers.</p>

Objective		Why	How – 2023/24 Draft Business Plan
1.4	Embedding of new pensions administration system (“UPM”) by LPPA into the Fund.	<p>In December 2022, LPPA transitioned the Cumbria Pension Fund onto a new pension administration system (“UPM”) with the aim of delivering a better experience for the Fund and its members and employers through increased digitalisation and automation.</p> <p>Pensions have continued to be paid on time after the transition and retirement benefits and other payments are also being made now through UPM.</p> <p>Work will be required by LPPA and the Fund throughout 2023/24 to embed this system to ensure that employers become more familiar with the UPM system and ensure key information is provided to LPPA in an accurate and timely manner.</p> <p>Additionally the Fund will continue to closely monitor and address any issues arising from its implementation with LPPA.</p>	<p>The Fund will continue to meet regularly with LPPA and ensure that employers are appropriately supported to be able to meet any changes to operating practices in providing LPPA and the Fund with required information.</p> <p>The Fund will also continue to address with LPPA any issues associated with the implementation of UPM and advise the Board of any challenges as appropriate.</p>
1.5	Continual improvement programme for the quality of data held by the Fund.	<p>It is important that data held by the Fund is complete and accurate. This is a requirement of data protection regulations and can have a material effect on the outcome of the actuarial valuation. Poor quality data can also lead to additional</p>	<p>The Fund continues to work with employers and LPPA to ensure that data is up to date and accurate.</p> <p>The Fund participates in the National Fraud Initiative biennial review and additional six-</p>

Objective		Why	How – 2023/24 Draft Business Plan
		costs at the time of the valuation.	<p>monthly mortality screening to match records and highlight deaths that the Fund may not be aware of.</p> <p>Data quality is reported to Local Pension Board on a quarterly basis.</p>
1.5	Continue to monitor and improve employer data submission issues.	The Pensions Regulator Code of Practice sets out the importance of complete and accurate records and states that Scheme Managers must ensure that member data across all membership categories is complete and accurate.	<p>Close monitoring of the employer data submission process by officers including:</p> <ul style="list-style-type: none"> <li>• Monthly meetings of operational officers to determine compliance with regulations.</li> <li>• Review and reconciliation of monthly data records submitted by employers.</li> <li>• Quarterly “traffic light” reports sent to all employers highlighting their performance in respect of data submissions to the Fund.</li> <li>• Where breaches of law have occurred, this may be reported to the Pensions Regulator and scheme members of the employer may be informed of the breach.</li> </ul>

Objective		Why	How – 2023/24 Draft Business Plan
1.6	Maintain effective communication and liaison with Fund employers to meet the data requirements of the Pensions Regulator.	Communication with Fund employers is vital to ensure that the Fund receives the information required in a timely manner. The Pensions Regulator (tPR) Code of Practice sets out the importance of complete and accurate records and states that Scheme Managers must ensure that member data across all membership categories is complete and accurate.	Details of how the Fund communicates with employers are set out in the Fund's Communications Policy. In addition to standard communications (e.g. email circulars, information on the Fund's website) Fund officers and LPPA will continue to work closely with employers to support them in the development of processes to deliver the required data.

Objective		Why	How – 2023/24 Draft Business Plan
<b>2. Oversight &amp; Governance</b>			
2.1	Address any issues associated with the governance of Cumbria Pension Fund resulting from Local Government Reorganisation (LGR).	<p>As detailed in 1.1, from 1 April 2023, Westmorland &amp; Furness Council will become the Administering Authority for the Cumbria Pension Fund.</p> <p>Whilst most issues affecting the structural governance of the Fund will be resolved in 2022/23, Officers will be required to address any further issues arising associated with the operational governance of the Fund during 2023/24, e.g. ongoing training for new Committee / Board members.</p>	<p>Throughout LGR the Fund will be focussed on its key activities i.e.</p> <ul style="list-style-type: none"> <li>• paying pensions;</li> <li>• collecting contributions;</li> <li>• appropriate investment of Fund assets; and</li> <li>• compliance with Regulatory requirements.</li> </ul> <p>In addition to these key areas of focus the Fund will respond to any additional issues arising e.g. ensuring that new Members responsible for the governance of the Fund have access to appropriate training to fulfil their obligations to the Fund.</p>

Objective	Why	How – 2023/24 Draft Business Plan
<p>2.2 Completion of the 2022/23 Cumbria LGPS Annual Accounts and Annual Report incorporating any new regulatory/technical changes.</p>	<p>This is a regulatory requirement.</p> <p>The Local Government England and Wales Accounts and Audit Regulations 2015 currently require that the Council’s Statement of Accounts (which must – per the CIPFA Code of Practice – incorporate the Pension Fund Accounts) are approved by 31 July following the year end. In January 2022, the Department for Levelling Up, Housing and Communities (DLUHC) issued a letter providing an update on actions the government was taking to help tackle audit delays which they acknowledged are caused by a variety of complex factors. The impact on the timescales for the production and audit of the 2022/23 Accounts is the extension of the audit deadline to 30 September for a period of 6 years starting with 2022/23 accounts.</p> <p>The Local Government Pension Scheme (Administration) Regulations 2008 (as amended by Statutory Instrument No. 2011/561) require each administering authority to prepare an Annual Report for the Pension Fund and publish it before 1 December following the year end.</p>	<p>The annual accounts and annual report are completed in line with a detailed closedown timetable.</p> <p>To ensure that the accounts are completed in accordance with any new regulatory/technical changes officers attend specific training and produce both documents in line with current CIPFA guidance.</p> <p>The accounts are subject to audit by the Fund’s external auditor (Grant Thornton).</p> <p>Once approved the Annual Report is published on the Fund’s website.</p>

Objective		Why	How – 2023/24 Draft Business Plan
2.3	Review of governance arrangements in response to financial, regulatory and structural changes.	It is good practice to review governance arrangements to ensure they are up to date and appropriate.	<p>Officers will review and implement guidance issued by the Pensions Regulator, the Department for Levelling Up, Housing and Communities (DLUHC), CIPFA, the Scheme Advisory Board, the Fund’s external auditor, the LGA etc.</p> <p>Changes to governance arrangements will be reported to Pensions Committee on a quarterly basis.</p>
2.4	Review and update the Fund’s risks, policies and strategies	To ensure that Fund policy documents etc. including the Risk Register are up to date, appropriate and accessible to all stakeholders.	<p>Reporting to Committee on a quarterly basis risks and other policies &amp; strategies: ad hoc basis e.g. in response to changes in legislation etc..</p> <p>Review all documents published by the Fund to improve their accessibility with the intention of making them easier to read.</p>
2.5	Review, measure and deliver training to Members and Officers as outlined in the Training Plan.	<p>To ensure that Members and Officers have the knowledge required to ensure the Fund provides a well governed and managed service, i.e. to ensure:</p> <ul style="list-style-type: none"> <li>• The Fund is managed and its services delivered by people who have the appropriate and up to date knowledge and expertise;</li> <li>• Those persons responsible for governing the Fund have sufficient expertise to be</li> </ul>	<p>An annual training needs assessment is undertaken to assess the skills gaps of the Pensions Committee, Pensions Board and Officers.</p> <p>This information informs the development of the Fund’s training plan which is approved and formally reviewed by the Committee at least annually.</p>

Objective		Why	How – 2023/24 Draft Business Plan
		<p>able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage conflicts of interest; and</p> <ul style="list-style-type: none"> <li>• The Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Scheme.</li> </ul>	<p>The Pension Board are responsible for establishing their own training plan and identifying their individual training needs however Board members will be invited to attend the Member and Officer training and development sessions outlined in the 2023/24 training plan.</p> <p>Furthermore, consideration will be given to training required for new Members involved in the governance of the Cumbria Pension Fund following Local Government Reorganisation.</p>

Objective		Why	How – 2023/24 Draft Business Plan
<b>3. Investment Management</b>			
3.1	Undertake a full Investment Strategy Review, to consider the key outcomes of the 2022 actuarial valuation and their implications for the Fund going forwards.	The Fund's Investment Strategy (including the core investment objectives and asset allocations) must be sufficiently flexible to meet longer term prevailing market conditions and address any short-term cash flow requirements. To ensure these goals are achieved a full Strategic Investment Review will normally be undertaken by the Fund every three to five years by specialist professional advisors.	<p>In 2023/24, the Fund officers will work with the Independent Investment Advisors and the new Pensions Committee to undertake a full Investment Strategy Review.</p> <p>A specialist Investment Consultant will be procured to lead the work.</p> <p>The Members of the Investment Sub Group will provide input, with the recommended Investment Strategy requiring agreement by Pensions Committee, along with any revisions to be reflected in the Fund's Investment</p>



Objective		Why	How – 2023/24 Draft Business Plan
			Strategy Statement.
3.2	Seek suitable investment options to implement the Investment Strategy approved by Pensions Committee	<p>In December 2019 the Pensions Committee approved the current investment strategy aimed at delivering the actuarially expected return whilst also:</p> <ul style="list-style-type: none"> <li>• seeking to provide greater stability of contributions for employers through reducing volatility risk;</li> <li>• reducing the risks related to sudden material increases in inflation;</li> <li>• being a responsible asset owner by incorporating ESG considerations such as climate change into investment decisions to help improve long term value; and</li> <li>• accessing greater illiquidity premium (i.e. bonus).</li> </ul> <p>This Strategy was further reviewed during 2020, 2021 and 2022 to ensure continued appropriateness.</p> <p>In 2023/24, the Fund will work with its Independent Investment Advisors and the new Pensions Committee to undertake a full Investment Strategy Review.</p>	<p>In 2023/24, the Fund will continue with work to seek suitable solutions to implement the current investment strategy, and in addition, any revisions following agreement of the 2023 Investment Strategy Review.</p> <p>This work will be undertaken in consultation with the Fund’s Investment Advisors and in accordance with the Fund’s Investment Strategy Statement.</p> <p>Potential options will be presented to Investment Sub Group or the Pensions Committee in accordance with the investment limits as detailed in the Council’s Constitution.</p>
3.3	Monitor progress in moving	The sustainability of the Fund depends on	The Investment Sub Group receive reports on

<b>Objective</b>		<b>Why</b>	<b>How – 2023/24 Draft Business Plan</b>
	towards the final target Investment Strategy and keep its ongoing suitability under review.	achieving its investment return expectations, and the actual asset allocation needs to reflect the strategy has been set to best achieve this.	a quarterly basis and can support tactical asset allocation decisions within the Terms of Reference of the group.
3.4	Liaise with Border to Coast Pensions Partnership Ltd (BCPP) to ensure that suitable opportunities exist within the pool for the Fund to transition to its amended Investment Strategy.	The Fund is required to work with BCPP and other Partner Funds to ensure that appropriate investment opportunities exist within the company such that Cumbria's investment strategy can continue to be implemented.	The Fund will continue to actively engage in the development of investment opportunities within BCPP through Members, Officers and Advisors and with both BCPP and the other 10 Partner Funds of the company.

## 2023/24 Draft Budget for the Administration of the Cumbria LGPS

	2022/23 Budget (£)	2023/24 Draft Budget (£)	Movement (£)
<b>Administration</b>			
<b>1 - Pensions Administration</b>			
Administration Collaborative Arrangements	1,446,700	1,697,000	250,300
Other Administration costs	-	-	-
<b>2 - Employee Costs</b>			
Staffing & Accommodation - Employer Funding & Accounting	344,200	371,000	26,800
Training & Travel	2,000	2,000	-
<b>3 - Legal Advice</b>			
Legal Fees on Employer Issues	30,000	30,000	-
<b>Administration Total</b>	<b>1,822,900</b>	<b>2,100,000</b>	<b>277,100</b>
<b>Oversight &amp; Governance</b>			
<b>A - Employee Costs</b>			
Staffing & Accommodation - All other Governance	355,900	381,600	25,700
Staffing & Accommodation - Cumbria Pension Board	47,400	50,700	3,300
Training & Travel	5,000	5,000	-
<b>B - Pension Fund Committee</b>			
Border to Coast Joint Committee	3,600	3,600	-
Training & Travel	5,000	10,000	5,000
Subscriptions and Skills training	15,000	15,000	-
<b>C - Pension Board</b>			
National Scheme Advisory Board	10,500	10,500	-
Training & Travel	3,000	6,000	3,000
Specialist Advice & Allowances	5,000	35,000	30,000
<b>D - Investment consultancy fees</b>			
Independent Advice Pension Committee	30,000	30,000	-
Professional Advice - ISG & Strategy	40,000	50,000	10,000
Other Professional Advice	37,000	27,000	(10,000)
<b>E - Performance monitoring service</b>			
Custodian Performance Monitoring	30,000	30,000	-
Independent Performance Monitoring	14,600	19,000	4,400
<b>F - Shareholder voting Service</b>			
Shareholding Voting Costs	10,000	11,000	1,000
<b>G - Actuarial fees</b>			
Actuarial Valuation	70,000	10,000	(60,000)
Actuary Fees - General	120,000	120,000	-
Actuary Fees - Recharged to Employers	(86,000)	(86,000)	-
<b>H - Audit fees</b>			
External Audit	37,000	55,000	18,000
Internal Audit	4,000	4,000	-
<b>I - Legal &amp; Tax</b>			
Class Action Recovery	12,000	12,000	-
Tax Reclaim Legal Fee	20,000	20,000	-
Investments	15,000	15,000	-
<b>J - Other (including bank charges)</b>			
Bank Charges	4,000	4,000	-
Other Consultancy Costs	20,000	20,000	-
Other Fees & Expenses	30,000	30,000	-
<b>Oversight &amp; Governance Total</b>	<b>858,000</b>	<b>888,400</b>	<b>30,400</b>
<b>Subtotal - 'Administration' and 'Oversight &amp; Governance'</b>	<b>2,680,900</b>	<b>2,988,400</b>	<b>307,500</b>
<b>Investment Management</b>			
<b>1 - Fund Management Fees (excluding Border to Coast)</b>	762,700	626,800	(135,900)
<b>2 - Fund Management Fees - Border to Coast</b>	3,994,600	4,309,157	314,557
<b>3 - Custody Fees</b>	40,000	40,000	-
<b>4 - Additional Private Market Management Fees</b>	-	12,194,000	12,194,000
<b>Investment Management Total</b>	<b>4,797,300</b>	<b>17,169,957</b>	<b>12,372,657</b>
<b>Grand Total Cumbria Pensions Fund</b>	<b>7,478,200</b>	<b>20,158,357</b>	<b>12,680,157</b>