

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

FUND POLICY DOCUMENT

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Appendix A: Glossary of Terms

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Effective 1 April 2023

1. INTRODUCTION

1 INTRODUCTION

The Cumbria Local Government Pension Scheme (“the Fund” or “Cumbria Pension Fund”) is part of the Local Government Pension Scheme (LGPS). The scheme is a funded pension scheme, which means that funds are set aside to meet future retirement needs of scheme members. The scheme is a statutory pension scheme governed by the Superannuation Act 1972, the Public Services Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016 (as amended). Under these regulations the Administering Authority is required to provide an administration service for the scheme within the geographical area of Cumbria.

Due to Local Government Reorganisation in Cumbria, with effect from 1 April 2023 Cumbria moved from a two-tier system of local government (with one county council and six district councils) to a single-tier system (with two unitary councils – 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). As part of this change the role of Administering Authority for the Fund moved from Cumbria County Council to Westmorland & Furness Council at midnight on 31 March 2023. This change was set out in legislation via a Statutory Instrument which, at the time of writing, was in the final stages of progressing through Parliament.

As Administering Authority Westmorland and Furness Council administers the pension scheme on behalf of the majority of local government employees in Cumbria, further and higher education colleges, some voluntary and other non-profit making organisations, and a number of ‘Admitted Bodies’, i.e. organisations that have entered into an admission agreement with the administering Council to participate in the Pension Fund.

The scheme is open to all local government employees within the County who are not covered by alternative pension arrangements. The main categories of employees covered by alternative arrangements are teachers, fire service uniformed personnel and police officers.

Governance

Governance in the public service context is the leadership, direction and control of public service organisations to ensure they achieve their agreed aims and objectives, and in doing so serve the public’s best interests. Good governance leads to good management, good performance and good stewardship of public money as well as being a legal requirement.

From 1st April 2015 management arrangements of the Cumbria Local Government Pension Scheme (“the Fund” or “Cumbria Pension Fund”) has consisted of five elements: the Cumbria Pensions Committee & Investment Sub Group, Cumbria Pension Board, Cumbria Pensions Forum, Advisors and

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Officers. For further information of these please see the Governance Policy Statement (Section 2 of this Policy Document).

To ensure good governance of the Fund the policy framework and all aspects of management of the Fund are set out in the various Fund Policy Statements.

The purpose of each is summarised as follows:

2 Governance Policy Statement – sets out the roles and responsibilities and reports compliance against a set of best practice principles.

3 Administration Strategy & Communications Policy – details the formal arrangements for pensions and benefits administration for the Fund, and the communications with members, employers and pensioners.

4 Investment Strategy Statement – details how the Fund's assets are invested, the fund managers and benchmarks, and the Fund's compliance with updated Myners Principles and the Financial Reporting Council's UK Stewardship Code.

5 Cash Investment Policy – the management of the pension fund cash, bank account and investment of surplus cash.

6 Funding Strategy Statement – identifies how the Fund's pension liabilities will be funded in the longer term and addresses solvency issues.

7 Admissions and Termination Policy – details the policy on employer admissions and the methodology on cessation from the Fund.

8 Discretions Policy – detailing the policy regarding the exercise of certain discretions to assist in the management of the Fund.

9 Training Policy – sets out the policy concerning the training and development of members of all committees and officers responsible for management of the Fund.

10 Policy & Procedure on Reporting breaches of the law – sets out the policy and procedures to be followed by persons involved with the Cumbria LGPS in relation to reporting breaches of the law.

11 Internal Controls and Risk Management – sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk.

2. GOVERNANCE POLICY STATEMENT

2 GOVERNANCE POLICY STATEMENT

In accordance with regulation 55 of the Local Government Pension Scheme Regulations 2013 the Council is required to prepare, maintain and publish a written governance statement addressing certain issues.

This current version of the Governance Policy Statement was presented to and approved by the Pensions Committee held on 14 March 2023.

Westmorland and Furness Council administers the Cumbria Local Government Pension Scheme (“Cumbria Pension Fund”) and is governed in accordance with relevant regulations.

The Administering Authority as Scheme Manager, Members of Pensions Committees and Boards are expected to operate in compliance with any requirements imposed by The Pensions Regulator. Although not statements of law, the Regulator issues Codes of Practice which set out standards of conduct and practice expected, including practical guidance to help them comply with legislation.

Cumbria Pensions Committee

National guidance from the Local Authorities (Functions and Responsibilities) Regulations 2000 makes it clear that “functions relating to local government pensions etc.” are not executive functions. The Cumbria Pensions Committee acts as the Council (rather than as part of the Executive) and is, therefore, not subject to scrutiny and call in of its individual decisions.

The committee has 11 members (8 Westmorland and Furness Councillors, 3 Cumberland Councillors and 2 employee representatives).

Advice is given by Westmorland and Furness Council's Director of Resources (S151 Officer), the Council's pensions finance team and by two independent advisors. The advisors are appointed for their knowledge of investments and of pension funds; one advisor being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Fund.

Services are also provided by the Fund actuary Mercer Limited, and by other consultants and lawyers for investment management services.

The Pensions Committee is governed by Westmorland and Furness Council's procedural rules under the Council's Constitution:

2.1 Terms of Reference of the Pensions Committee

The Pension Committee is a committee constituted under Section 101 of the Local Government Act 1972, the principal aim is to carry out the functions of Westmorland and Furness Council as the Administering Authority for the Cumbria Local Government Pension Scheme (“the Cumbria Pension Fund” or

2. GOVERNANCE POLICY STATEMENT

“the Fund”) in accordance with the requirements of the Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Westmorland and Furness Council (the Council) owes fiduciary duties to the employers and members of the Cumbria Pension Fund and must not compromise this with its own particular interests. Consequently, this fiduciary duty is a responsibility of the Pension Committee, and its members must not compromise this with their own individual interests. As a statutory pension scheme the Local Government Pension Scheme (LGPS) does not have assigned trustees.

Functions

The functions of the Committee are:

- To ensure that the Fund complies with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the Fund.
- To set the investment objectives and policy and the strategic asset allocation in the light of the Fund’s liabilities.
- To annually review (as a minimum) and approve any new statutory policy statements and/or amendments to the existing statutory policy statements as required by Local Government Pension Scheme Regulations, drawing on appropriate professional advice.
- To assure adherence to the principles set out in relevant Statutory Guidance and Codes of Practice issued by the Secretary of State and the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it.
- To ensure robust risk management arrangements are in place.
- To ensure appropriate arrangements for the administration of benefits are in place, including overseeing administration performance and employer issues.
- The selection, appointment and dismissal of an investment pooling operator to manage assets in accordance with the Fund’s Investment Strategy.
- To monitor the performance and effectiveness of the investment pooling operator to ensure:
 - it is providing an effective means of delivering the Fund’s investment strategy (e.g. types of assets and style of investment management); and
 - it is meeting the objectives that have been set.
- Appointing, dismissing and assessing the performance of investment managers in accordance with the Fund’s Investment Strategy, where direct investments are maintained.
- To consider recommendations from the Cumbria Local Pensions Board, the Pensions Investment Sub Group and the Border to Coast Pensions Partnership Ltd (BCPP) Joint Committee.
- To approve the formal triennial actuarial valuation of the Cumbria Pension Fund, with due consideration being given to the desirability of maintaining

2. GOVERNANCE POLICY STATEMENT

as nearly constant a primary contribution rate as possible and the requirement to secure the solvency of the Cumbria Pension Fund.

- 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 Cumbria Pension Fund. To review performance against this periodically during the year.
- To approve and annually review the Cumbria Pension Fund's training policy to ensure those charged with the management of the Cumbria Pension Fund are appropriately experienced and qualified.
- To update the Council periodically on the governance, risk monitoring and performance of the Cumbria Pension Fund following meetings of the Committee.
- To submit the Cumbria Pension Fund Statement of Accounts to the Audit Committee and to approve the Cumbria Pension Fund Annual Report.
- To receive and where necessary instruct corrective action, in response to both internal and external auditor reports.

Composition

The Pensions committee will be composed of 8 Members of the Council, 3 co-opted Members of Cumberland Council, and 2 employee representatives (one appointed by GMB and one appointed by UNISON).

All Members of the Committee including co-opted members shall be entitled to vote.

Equal weight will be given to each Members vote with the Chair having the casting vote should the need arise.

The Chair and the Vice Chair will be appointed annually by the Council.

The Chair of the Committee will not be a Cabinet Member.

Reserves

The Council will appoint **XXX** named substitute members.

Cumberland Council may appoint up to **XXX** named substitute members.

Quorum

The quorum for meetings of the Pensions Committee shall be **TBC**

Other Matters relating to the operating structure of the Committee

The Committee will meet as a minimum quarterly. Meetings will be held during normal working hours and will predominantly be held within County boundaries.

The Committee is required to ensure all members have access to appropriate professional advice and representation prior to making any decisions concerning the general management of the Cumbria Pension Fund.

2. GOVERNANCE POLICY STATEMENT

- a) To assist in the above the Section 151 Officer will be required to appoint industry specific advisors to enable the Committee to fulfil its obligations e.g. fund actuary; tax specialists; regulated investment consultants when required.
- b) The Committee will also appoint two independent advisors, their role being to assist and support members in their understanding and challenge of either service providers or officers of the Council.

Competency

To ensure that Members involved in the governance and monitoring of the Cumbria Pension Fund (including nominated reserves) meet the requisite knowledge and skills requirements, a general level of attendance at meetings and training events is required.

Other relevant matters

In addition to the previously listed functions, to ensure compliance with pension-specific regulations and guidance, the functions and terms of reference of the Pensions Committee also include:

The Pensions Committee is a committee constituted under section 101 of the Local Government Act 1972 therefore key functions and terms of the Committee, including the following, are as detailed elsewhere in the Constitution:

- Reimbursement Members allowances,
- Quoracy,
- Conflicts of Interest Policy and Code of Conduct (see 2.7), and
- Publication and Data protection.

Role of Advisors

- The independent Advisors will be appointed by a panel of Members of the Pensions Committee, and thereafter report directly to the Committee
- All Members of the Committee have the right to access the support of Independent Advisors appointed to the Fund, however due regard has to be taken of securing value for money and as such whether in the first instance Officers could provide the assistance required.
- On appointment all Independent Advisors will be required to sign a declaration statement outlining any potential conflicts they may have. Once appointed they must immediately report any changes of circumstance directly to the Chair of the Committee for their consideration and further action should this be necessary.
- Should either of the advisors no longer be able to provide this service to the Committee; Officers of the Fund would seek to procure an alternative Independent Advisor with similar but complimentary levels of skill and knowledge; as soon as is practicable; during which time the Fund could seek alternative professional advice when and if required.

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Cumbria Pensions Investment Sub Group

The Investment Sub Group (ISG) is established by the Pensions Committee and has an advisory role, its purpose is to support the Committee by carrying out investment asset class monitoring, reporting investment matters to the Committee and where appropriate giving initial consideration to investment opportunities prior to their consideration by the Pensions Committee.

2.2 Terms of reference of the Investment Sub Group

Functions

The Pensions Committee shall establish a Pensions Investment Sub Group (ISG). The working group have an advisory role; its purpose is to assist the Committee by:

- Carrying out investment asset class monitoring; i.e. monitoring investment performance and the progress of the implementation of the Cumbria Pension Fund's Investment Strategy.
- Providing an update report to Pensions Committee outlining investment performance during the preceding period, and escalating any matters of concern or for further consideration to the Pensions Committee.
- Where appropriate to giving initial consideration to investment opportunities prior to their being considered by Pensions Committee.

Membership

The Investment Sub Group will be comprised of four elected Members of the Pensions Committee (to be nominated by the Pensions Committee, taking into account knowledge, understanding and capacity); the two Independent Advisors to the Pensions Committee and the Chief Finance Officer (Section 151 Officer) or (or deputy in their absence).

The Investment Sub Group Chair and Vice Chair will be selected by the Pensions Committee at the start of each electoral term.

Meetings & other matters

- The Group will meet at least quarterly and will report to Pensions Committee on a quarterly basis.
- Meetings will be held during normal working hours and where held in person will predominantly be held within County boundaries.
- Creation of Working Parties / Sub Groups – as a non-decision-making body the Group have no authority to establish Working Parties / Sub Groups.

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Cumbria Pension Board

The Board is constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014. It has been required since 1st April 2015 and has been established to assist the Administering Authority to fulfil its functions in relation to all aspects of governance and administration of the Cumbria Pension Fund. The Board has no remit as a decision making body.

2.3 Terms of Reference of the Pension Board

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 requires that the Council, as administering authority of Cumbria Pension Fund, establishes a local pension board. The role of the Board is to assist the Administering Authority in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme including, securing compliance with LGPS Regulations, other legislation and the requirements of the Pensions Regulator.

Functions

The Cumbria Local Pension Board is responsible for assisting the Administering Authority of the Cumbria Local Government Pension Scheme:

- a) to secure compliance with:
 - (i) The Local Government Pension Scheme Regulations 2013 (as amended from time to time);
 - (ii) Other legislation relating to the governance and administration of the Local Government Pension Scheme ('LGPS'); and
 - (iii) The requirements imposed by the Pensions Regulator in relation to the LGPS.

And to

- b) Ensure the effective and efficient governance and administration of the LGPS.

The Board must have a policy and framework to meet the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

In its role in assisting the Administering Authority as described above, the Board shall report twice yearly to the Pensions Committee on matters reviewed and suggestions for their consideration.

Where the Board is concerned that due consideration has not been given to matters of non-compliance the Board may submit a report for consideration by the Audit and Assurance Committee as the body designated by the Administering Authority with the capacity to investigate such matters on its behalf.

2. GOVERNANCE POLICY STATEMENT

Board Composition

The membership of the Cumbria Local Pension Board will comprise three scheme member representatives; three scheme employer representatives; and one independent member (non-voting) who shall be appointed as Chair of the Pension Board.

- The three employer representatives will be allocated 1 to the Council; 1 to Cumberland Council; and 1 for all other employers in the Cumbria Pension Fund. The three scheme member representatives will be selected to ensure all membership groups within the Cumbria Pension Fund are considered.

All Employer and Scheme Member Representatives of the Local Pension Board will be entitled to vote.

The Vice Chair of the Board will be elected annually by the three scheme member representatives and the three scheme employer representatives.

Reserves

Named substitutes are permitted and will be sought for each of the scheme member and scheme employer representatives. The relevant knowledge and capacity requirements also apply to reserves.

Quorum

The Pensions Board shall have a quorum of 3 which will require the independent Chair (or Vice Chair in the absence of the Independent Chair), 1 employer representative and 1 scheme member representative to be present.

Frequency of Meetings

The Board will meet as a minimum quarterly. Meetings will be held during normal working hours and as a general principle, meetings will be open to the public.

Competency

The Administering Authority must ensure that each person appointed to the Local Pension Board has the relevant knowledge and the capacity to represent the employers or members (as appropriate) of the Pensions Fund. To ensure compliance, a general level of attendance at meetings and training events is required

Other relevant matters

The Board is constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 and is therefore not subject to the requirements of s.101 of the Local

2. GOVERNANCE POLICY STATEMENT

Government Act 1972. The Board has no remit as a decision making body; but is established to assist the Administering Authority fulfil its functions, which shall be deemed to cover all aspects of governance and administration of the Pension Fund.

Appointment of Board members:

To ensure an open and transparent selection process and to ensure the Administering Authority meets its obligation to ensure appointed members have the capacity, the selection process will be through application, matching to a role profile and interview. The Appointment Panel will consist of the Section 151 Officer (or deputy), the Monitoring Officer (or deputy) and a member of the Board.

Appointments will be for four years and there will be no limit on the number of times a member of the board can seek to be reappointed.

Appointment of the independent member who shall be appointed as Chair of the Pension Board:

- a. The selection process will be through application, matching to a role profile and interview. The interview panel will consist of the Section 151 Officer (or deputy), the Monitoring Officer (or deputy) and a member of the Board and the appointment will be agreed by that panel.
- b. Appointments will be for four years and will be subject to a maximum of two terms (i.e. eight years).

Duties of the Chair: The Chair of the Board shall ensure that:

- the Board delivers its purpose as set out the Board's Terms of Reference;
- meetings are productive and effective, and
- opportunity is provided for the views of all members to be expressed and considered and will determine when consensus is met.

Board Expenses:

Reimbursement of reasonable expenses for attendance by Board members and reserves (i.e. named substitute Board members) at meetings and training sessions will be per the Council's agreed policies and rates for Elected Members. All such costs will be met directly by the Pension Fund.

Relevant knowledge capacity

The Administering Authority must ensure that each person appointed to the Board has the relevant knowledge and the capacity to represent the employers or members (as appropriate) of the Fund. Initially this will be done through selection by the Administering Authority but, following appointment, it is a member's individual responsibility to ensure they attend sufficient training etc. to enable them to continue to fulfil the knowledge and capacity requirements. Full training will be provided and all reasonable costs will be met by the Fund. To ensure compliance with the above a general level of attendance at meetings and training events is required.

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Codes of Conduct and Conflicts of Interest Policy:

Prior to appointment to the Board all members will be required to sign up to the Board's Code of Conduct and Conflicts of Interest Policy. As a body representing the public interest the Code of Conduct and Conflicts of Interest Policy of members of the Local Pension Board will be aligned to those applicable to Members of the Pensions Committee and is available on the Council's Website (see 2.7).

Special Meetings:

Where required, a minimum of 2 Board members (one from the Fund member representatives and one from the Fund employer representatives) or the Administering Authority can request a special meeting be convened. Notice of ten working days must be given.

Creation of Working Parties / Sub Groups: – as a non-decision-making body the Board have no authority to establish Working Parties / Sub Groups.

Commissioning of Service Providers and Advisors

All Board members have the right to access the support of the experienced Local Government Pension Scheme Independent Advisors, however due regard has to be taken of securing value for money and as such whether in the first instance Officers could provide the assistance required.

All such items of expenditure by the Board must have prior approval from the Director of Resources (S151 Officer).

Role of Officers

Reasonable secretarial and professional support will be provided by Officers of the Administering Authority. Costs associated with this will be directly charged to the Fund.

Publication and Data Protection

As a general principle, meetings will be open to the public.

Paper or electronic versions (as requested) of all agendas and papers will be provided to all members of the Board prior to a meeting. The Chair can accept that items be tabled on the day should such a need arise.

As a matter of policy, the Pension Fund has adopted the principles of paperless working, therefore as a matter of course public access to all agendas, public papers and minutes etc. will be available on the Council's website. On request alternative media versions are available.

Westmorland and Furness Council as the Administering Authority is the registered data controller of the Cumbria LGPS, and as such all policies and practices in this regard applicable within the Council are directly applicable to the Board.

2. GOVERNANCE POLICY STATEMENT

Substitution/Reserves

Each substitute will be appointed for a four year term (or, in the case of elected members for the remainder of their current term of office) and there is no limit on the number of times the substitute can seek to be reappointed.

Cumbria Pensions Forum

The Cumbria Pensions Forum is not a formal body. It is a forum for engagement with the Fund's scheme employers, scheme members and their representatives.

2.4 Terms of Reference of the Pensions Forum

The Cumbria Pensions Forum is not a formal body. It is a forum for engagement with Cumbria Pension Fund scheme employers, scheme members and their representatives. As such it is open to Cumbria Pension Fund scheme employers, scheme members, and their representatives.

Functions of the Pensions Forum

The functions of the Cumbria Pensions Forum are to seek the views of the representative bodies, employees and pensioners and discuss items of common interest in relation to pensions including:

- a. the administration of pensions and information to employers and members of the Cumbria Pension Fund;
- b. the state of the Cumbria Pension Fund including investment performance;
- c. the triennial actuarial valuation and the Funding Strategy Statement; and
- d. developments in relation to the LGPS nationally and their impact on the Cumbria Pension Fund.

Quorum

As the Forum is not a formal body there is no quorum requirement.

Frequency of Meetings

The Cumbria Pensions Forum will meet as a minimum annually. Meetings will be held during normal working hours.

Other matters relating to the Pensions Forum

The forum will be facilitated by officers of the Cumbria Pension Fund.

The Chief Finance Officer (Section 151 Officer) will Chair the meeting.

As a non-decision-making body the Forum has no authority to establish working parties / subgroups.

2. GOVERNANCE POLICY STATEMENT

2.5 Delegations to the Director of Resources (Section 151 Officer)

The Director of Resources is the Westmorland and Furness Council's Chief Financial Officer under section 151 of the Local Government Act 1972 (S151 Officer) and is the Officer responsible for the proper administration of the Council's financial affairs.

The Constitution 'Part 2 – Section 5: "Officer Scheme of Delegation"' sets out the delegations to the Director of Resources (S151 Officer) and the main responsibilities of the postholder are described in the Financial Standing Orders (Part 3, Section 6 of the Council's Constitution).

The Director of Resources (S151 Officer) has the full range of powers necessary to discharge the Council's functions, including taking decisions which are not specified in the Constitution or in law as having to be taken by elected members, implementing decisions and undertaking efficient management of the services, contracts and staff for which he/she is responsible in a number of specified areas including the Cumbria Local Government Pension Scheme.

In addition to these functions the Constitution stipulates that the Director of Resources (S151 Officer) has the following authority in respect of the Cumbria Local Government Pension Scheme:

"To take all necessary action in respect of the Council's role in relation to the administration and operation of the Cumbria Local Government Pension Fund unless specified in the Constitution or in law as having to be taken by elected members or another officer. This includes overseeing compliance by the Council in its capacity as shareholder of BCPP Limited and determining the Council's position as shareholder on decisions of the company that are reserved to the shareholders."

2.6 Knowledge and Skills

Cumbria Local Government Pension Scheme adopts the key recommendations of the CIPFA 'Code of Practice on Public Sector Pensions Finance Knowledge and Skills'.

This organisation recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.

Accordingly, this organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision making.

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These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Framework and The Pensions Regulator Tool Kit.

This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.

This organisation has delegated the responsibility for the implementation of the CIPFA Code of Practice to the Director of Resources (S151 Officer), who will act in accordance with the organisation's policy statement, and where he/she is a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

Note 1: Decision-makers are those with executive authority serving on governing boards, i.e. Cumbria Pensions Committee.

2.7 Conflicts of Interest Policy and Codes of Conduct

Conflicts of interest, including those relating to matters of investment stewardship, are managed according to the Council's (as the Administering Authority of Cumbria LGPS Fund) Codes of Conduct. Members (i.e. of both the Pensions Committee and the Local Pension Board) and Officers of the Fund are required to observe the Council's Members' and Officers' Codes of Conduct respectively. The Codes are set out in the Council's Constitution and can be found at:

- Members' Code of Conduct and guidance:
<https://www.westmorlandandfurness.gov.uk/>
- Officers' Code of Conduct (including conflicts of interest):
<https://www.westmorlandandfurness.gov.uk/>

These codes are designed to promote and maintain high standards of conduct by Members and Officers of the Fund across all activities including the stewardship of the Fund's assets.

2.8 Governance Compliance Statement

The Local Government Pension Scheme Regulations 1997 were amended on the 30 June 2007 (Regulation 73A(1)(c) to require Administering Authorities to report the extent of their compliance against a set of best practice governance principles published by Communities and Local Government (CLG).

2. GOVERNANCE POLICY STATEMENT

<u>Principle</u>	<u>Compliance</u>	
Principle A: – Structure	Not Compliant	Fully Compliant
<p>a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p> <p>b) That representatives of participating LGPS employers, admitted bodies and Fund members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p> <p>c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</p>		<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>
Principle B: Representation/Public Participation	Not Compliant	Fully Compliant
<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ol style="list-style-type: none"> 1. employing authorities (including non-Fund employers, e.g. admitted bodies); 2. Fund members (including deferred and pensioner Fund members), 3. independent professional observers, and 4. expert advisors (on an ad-hoc basis). <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p> <p>Details of the Public Participation Scheme that applies to the Pensions Committee is available in the Council's Constitution.</p> <p>https://www.westmorlandandfurness.gov.uk/</p>		<p>✓</p> <p>✓</p>

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<u>Principle</u>	<u>Compliance</u>	
Principle C: Selection and role of lay members	Not Compliant	Fully Compliant
<p>a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>b) That at the start of any meeting, Committee Members are invited to declare any financial or pecuniary interest related to specific matters on the agenda</p>		<p>✓</p> <p>✓</p>
Principle D: Voting	Not Compliant	Fully Compliant
<p>a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>		<p>✓</p>
Principle E: Training facility time expenses	Not Compliant	Fully Compliant
<p>a) That in relation to the way in which statutory and related decisions are taken by the Administering Authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p> <p>b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p> <p>c) That the Administering Authority considers the adoption of annual training plans for the Committee Members and maintains a log of all such training undertaken.</p>		<p>✓</p> <p>✓</p> <p>✓</p>
Principle F: Meeting frequency forum	Not Compliant	Fully Compliant
<p>a) That an Administering Authority's main committee or committees meet at least quarterly.</p> <p>b) That an Administering Authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>		<p>✓</p> <p>✓</p> <p>✓</p>

2. GOVERNANCE POLICY STATEMENT

<u>Principle</u>	<u>Compliance</u>	
Principle G: Access	Not Compliant	Fully Compliant
a) That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.		✓
Principle H: Scope	Not Compliant	Fully Compliant
a) That administering authorities have taken steps to bring wider fund issues within the scope of their governance arrangements.		✓
Principle I: Publicity	Not Compliant	Fully Compliant
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Fund is governed, can express an interest in wanting to be part of those arrangements.		✓

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY –
PART A: BACKGROUND, PURPOSE & REVIEW**

3 ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY

Part A: Background, Purpose and Review

1. Background

- a. As stated in the Governance Policy Statement, it is the responsibility of the Cumbria Pensions Committee to exercise the Council's responsibility as 'Administering Authority' for the management of Cumbria Local Government Pension Scheme (Cumbria LGPS).
- b. The Council delegates its functions in respect of the Fund to its Pensions Committee and discharges specific elements of the administration functions of the Fund to:
 - i. The Director of Resources (S151 Officer); and
 - ii. Lancashire County Council (LCC) who provide this service through Local Pensions Partnership Administration (LPPA).
- c. The Administration Strategy (Parts B & C) is set out so as to illustrate the key roles and responsibilities of both the Administering Authority, LPPA, and the scheme employers in the administration of the scheme, highlighting the expected quality and performance standards required of all parties.
- d. The Communication Policy (Part D) is the overarching policy for the Cumbria Pension Fund and sets out the Administering Authority's policy concerning communications with members, representatives of members, prospective members, and scheme employers.
- e. The Complaints Process for the Cumbria LGPS is set out in part E of this policy.

2. Purpose

- a. **Administration Strategy:** Regulation 59 of the Local Government Pension Scheme Regulations 2013 (the 2013 regulations) allows for the Administering Authority to prepare and publish, following consultation with Fund Employers, a 'Pension Administration Strategy' to facilitate best practices and efficient customer service in respect of the following:
 - Procedures for liaison and communication with Fund employers;
 - The establishment of performance levels which the Administering Authority and fund employers are expected to achieve;
 - Procedures to ensure compliance with statutory requirements in connection with the administration of the LGPS;

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY –
PART A: BACKGROUND, PURPOSE & REVIEW**

- Procedures for improving the methods of passing information between the Administering Authority and fund employers;
- The circumstances when the Administering Authority may consider recovering additional costs that have been incurred due to the unsatisfactory performance of a Fund employer; and
- Any other matters that the Administering Authority consider suitable for inclusion in the 'Pension Administration Strategy.'

b. **Communications Policy:** Regulation 61 of the 2013 regulations states that an Administering Authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:

- members;
- representatives of members;
- prospective members; and
- Fund employers.

In particular the statement must set out its policy on—

- the provision of information and publicity about the Scheme to members, representatives of members and Fund employers;
- the format, frequency and method of distributing such information or publicity; and
- the promotion of the Scheme to prospective members and their employers.

3. Compliance & review

The undertakings set out within this Pension Administration Strategy and Communications policy will be reviewed and published at least annually to ensure they reflect any changes in scheme regulations and Pension Fund policies and procedures. As required by regulation 59(4) of the 2013 regulations Fund employers will be consulted on any changes to the Administration Strategy.

3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY – PART B: ADMINISTERING AUTHORITY / LPPA UNDERTAKINGS

Part B: Administering Authority (and Local Pensions Partnership Administration) Undertakings

1. Liaison and Communication

- 1.1. The Fund has staff dedicated to the provision of Pensions Administration within the core Pensions Team. Additionally, staff at Local Pensions Partnership Administration (LPPA) provide administration services for the Fund. LPPA will act as primary contact for employers in respect of all areas of pension administration. The team are responsible for core aspects of communication and employer liaison.
- 1.2. The Fund aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication. This table sets out our current methods of communication.

The Administering Authority (either via LPPA or the core team) will:

Activity	Main contact
1.3. Ensure that Employer Forums and Conferences are held on a regular basis and actively seek to promote the LGPS via attendance at the following events, in conjunction with the employer: <ul style="list-style-type: none"> • Pre-retirement courses • New starters induction courses 	LPPA & core team
1.4. Provide a Helpdesk and online member contact form for enquiries for both members and employers. The Helpdesk contact phone number is 0300 323 0260.	LPPA
1.5. Develop and actively promote the use of electronic/online facilities for data sharing and communication purposes between employers, Fund members and the Service.	LPPA
1.6. Develop and actively promote the use of member and employer online self-service systems and provide day to day access and query support.	LPPA
1.7. Provide Scheme information, including: <ul style="list-style-type: none"> • New starter information and documentation; • Scheme guides and fact sheets for both members and employers; • Annual newsletters; and • Employer bulletins (as and when appropriate). 	LPPA

3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY – PART B: ADMINISTERING AUTHORITY / LPPA UNDERTAKINGS

Activity	Main contact
1.8. Provide employer training (as appropriate), for example: <ul style="list-style-type: none"> • Pension basics and general employer administration functions; • Changes to the regulations; • New technological developments; and • Navigation of systems. 	LPPA & core team
1.9. Carry out annual employer visits for employers with more than 100 members.	LPPA
1.10. In conjunction with the pensions' team at Cumbria, arrange and facilitate one-off 'Road Shows' where there are material and/or extensive regulatory changes in respect of the Scheme.	LPPA & core team
1.11. Publish, on the Cumbria Pension Fund website, (www.cumbriapensionfund.org): <ul style="list-style-type: none"> ○ the Fund's Annual Report and Accounts; and ○ the Fund's triennial valuation report; and ○ the Fund's Policies, including the Funding Strategy Statement and Investment Strategy Statement. 	Core team
1.12. Undertake appropriate consultation with Fund members and employers as required.	Core team

2. Administration of the LGPS and Compliance

Activity	Main contact
2.1. Maintain and update members' records regarding additional contributions.	LPPA
2.2. Calculate service credits, additional pensions or maximum cash on retirement where appropriate based on fund values received from the Additional Voluntary Contribution (AVC) providers.	LPPA
2.3. Maintain and keep up to date additional contracts for members' contributions and provide information to employers on request on members' contributions regarding breaks in service / maternity/paternity/adoption and leave of absence.	LPPA
2.4. Ensure that appropriate policies and procedures are in place and all relevant parties are aware of their responsibilities in relation to reporting / recording legal breaches.	Core team

3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY – PART B: ADMINISTERING AUTHORITY / LPPA UNDERTAKINGS

Activity	Main contact
2.5. Account to Her Majesty's Revenue and Customs (HMRC) in respect of income tax on pensions, refunds of AVCs and commutation of pensions where appropriate.	LPPA
2.6. Provide information as required to Core team in relation to quarterly and annual HMRC event reporting.	LPPA
2.7. Complete quarterly and annual event reporting and payment of tax in accordance with HMRC requirements.	Core team
2.8. Process pensioner payroll year end routines and comply with HMRC PAYE legislation.	LPPA
2.9. Update systems and member records each year.	LPPA
2.10. At each Actuarial Valuation period, provide the required data in respect of each member and provide statistical information on member movements over the valuation period in order that the Fund Actuaries can determine the assets and liabilities of the Fund.	LPPA & core team
2.11. Reconcile contributions and update fund member personal and financial data received from employers in the LPPA Pensions Data Return every pay period.	LPPA & core team
2.12. Create member records for all new starters admitted to the LGPS. Send a welcome letter to all members, by email if possible.	LPPA
2.13. Apply any retrospective adjustments to career average pay and accrual rates as informed by employers.	LPPA
2.14. Update and maintain a member's record for any changes received in their circumstances.	LPPA
2.15. Update member records in line with absence notifications, and set up APC arrangements to cover lost benefits as appropriate.	LPPA
2.16. Provide every active, deferred and pension credit member a benefit statement each year.	LPPA
2.17. Provide all members earning £100,000 or more per annum, or on member requests, with annual pension saving statements and information regarding Annual Allowance tax implications.	LPPA
2.18. Implement Mandatory and Voluntary Scheme Pays at a member's request in accordance with the approved policy.	LPPA

3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY – PART B: ADMINISTERING AUTHORITY / LPPA UNDERTAKINGS

Activity	Main contact
2.19. Process early leavers (deferred benefits / refunds) within 15 working days of the receipt of form LPPA Employer – Leaver form. Pensions Increase Order will be applied to all deferred benefits each year in line with the annual Pensions Increase (Review) Order.	LPPA
2.20. Arrange payment of retirement benefits and create a new record for ongoing pension scheme membership if applicable.	LPPA
2.21. Calculate and pay benefits within 5 working days of receipt of notification or date of entitlement, whichever is the latter.	LPPA
2.22. Arrange to make pension payments on the last banking day of each month.	LPPA
2.23. Make payment of compensatory added years pensions as agreed on behalf of the employer in connection with redundancy retirements.	LPPA
2.24. Apply Pensions Increases to pensions on the due date.	LPPA
2.25. Implement changes in pensioner's circumstances within 10 working days of the receipt of the information.	LPPA
2.26. Implement changes in spouse / dependant's circumstances.	LPPA
2.27. Make payments to the member's estate / nominated beneficiary within one month of receipt of the required documentation.	LPPA
2.28. Produce and distribute P60s to pensioners by the 31st May each year.	LPPA
2.29. Produce monthly reports and invoices for Pension strain costs to be recovered from employers.	LPPA & core team
2.30. Raise invoices on at least a quarterly basis to employers to recover payments of compensatory added years pensions arising from redundancy retirements.	Core team
2.31. Comply with the principal regulations (as amended from time to time) relevant to this Pension Administration Strategy Statement.	Core team
2.32. Prepare the Annual Report and Accounts of the Cumbria Pension Fund.	Core team

3. ADMINISTRATION STRATEGY & COMMUNICATIONS POLICY – PART B: ADMINISTERING AUTHORITY / LPPA UNDERTAKINGS

Activity	Main contact
2.33. Ensure the appropriate policies, including the Funding Strategy Statement and the Investment Strategy Statement, and Administering Authority discretions are formulated, reviewed and publicised in accordance with the scheme regulations.	Core team

3. Performance

- 3.1. In accordance with good practice and as recommended by The Pensions Regulator¹ the Fund has a suite of performance targets to ensure it is delivering an efficient, effective and customer-focussed service. These targets will be kept under continual review to ensure that they are appropriate and reflect current circumstances and regulatory requirements.
- 3.2. The minimum performance targets set are shown below. Performance against these targets is reported to the Pension Fund Committee. The Annual Administration Report is reported to the Pension Fund Committee in June each year and is available in the Pensions Committee minutes on the Council's website² and key statistics are included in the Cumbria LGPS Annual Report.

3.3. Performance Targets

Performance Standard	Working Days	SLA	LPPA Target
New Starters to be admitted into the Fund	10	90%	95%
Action transfers into the Fund	10	90%	95%
Action transfers out of the Fund	10	90%	95%
Provide an estimate of pension benefits to employers or scheme members	10	90%	95%
Process deferred benefits for scheme members	15	90%	95%
Payment of death benefits	5	90%	95%
Payment of retirement benefits	5	90%	95%
Pay refunds to scheme members	5	90%	95%
Respond to general correspondence	10	90%	95%
Aggregation of scheme member records	30	90%	95%

¹ Paragraph 42 of Code of Practice no.14: 'Governance and administration of public service pension schemes'

² <https://www.westmorlandandfurness.gov.uk/>

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS
POLICY –
Part C: EMPLOYER UNDERTAKINGS**

Part C: Employer Undertakings

1. Liaison and Communication

- 1.1. The employer shall nominate a person / persons who will act as the primary contact(s) for general administration, HR & payroll, financial and regulatory/discretionary issues with Local Pensions Partnership Administration (LPPA) or the core team.
- 1.2. The employer will facilitate an annual visit by LPPA with the appropriate primary contact.
- 1.3. The employer shall nominate an authorised signatory/signatories in respect of all documents and instructions received by LPPA or the core team.
- 1.4. The employer shall endeavour to ensure representation at Employer Forums and Practitioner Conferences as specified in Section 1.1.
- 1.5. The employer shall undertake to ensure that all personnel dealing with the Local Government Pension Scheme as part of their day to day role undergo appropriate training.
- 1.6. Where an employer contracts a third party HR or payroll provider the employer must authorise LPPA or the core team if they wish LPPA or the core team to deal directly with the payroll provider in matters of pensions administration or finance. However, this in no way enables an employer to delegate responsibility for the performance of any required actions (either regulatory responsibilities or requirements set by the Fund Administering Authority).
- 1.7. The employer shall inform the Fund of any outsourcings of services which involve or may potentially involve TUPE transfers of members of the LGPS as soon as possible to ensure that appropriate pensions information can be included in the tender documentation.

2. Performance Levels

- 2.1. Performance achieved by the Employer in relation to the following will be monitored by LPPA and the core pensions team (as appropriate):
 - Payment of contributions collected, completion and submission of remittance advice to the core team;
 - Submission of annual returns as required to the core team;
 - Uploading of LPPA Pensions Data Return every pay period; and
 - Notification of leavers.

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS
POLICY –
Part C: EMPLOYER UNDERTAKINGS**

- 2.2. The Fund will regularly report to employers on their individual performance and how this compares to other employers within the Fund. This will identify any areas for improvement including outstanding information and / or payments due to the Fund.
- 2.3. Employer performance will be reported to the Pensions Committee on an exception basis.

3. Administration of the LGPS and Compliance

3.1. Contributions

- 3.1.1. The employer will ensure that both employee and employer contributions are deducted at the correct rate (plus any additional contributions as LPPA may request the employer to collect). The employer must record the scheme section (50/50 or Main) in accordance with any election made by the scheme member; and deduct contributions as appropriate. The employer must maintain a policy to review employee tiered contribution rates and notify LPPA of any changes (see 3.6.3).
 - 3.1.2. All contributions, but not Prudential, Standard Life, Scottish Widows or Utmost Life AVCs, must be paid to the Cumbria Pension Fund on a monthly basis and in any case before the 19th of the month following that in which they were deducted. Non-compliance may result in a financial penalty against the employer and may result in a breach report to The Pensions Regulator.
 - 3.1.3. A remittance advice must be completed and returned to the core team by 19th of the calendar month following the month in which the contributions were deducted.
 - 3.1.4. The employer will ensure that employee's Utmost Life, Scottish Widows, Standard Life and Prudential AVCs are paid direct to the provider as soon as possible after deduction; but in any event before the 19th of the month following that in which they were deducted as stated above.
- 3.2. Deficit contributions** - Where it has been identified, through the triennial valuation, that an employer has deficit contributions to pay, payment must be made to the fund no later than by the end of the financial year indicated on the employer valuation schedule. Payment can be made as an immediate one off payment or by 12 monthly instalments, with each monthly payment due no later than the last day of the month in which it is scheduled. Any surplus contributions identified in the employer valuation schedule can be offset against employer contributions paid to the Fund in the financial year.
- 3.3. Pension Strain** - Each month LPPA will arrange for the core team to issue an invoice to the employer reflecting the cost of any non-ill health early retirements

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS
POLICY –
Part C: EMPLOYER UNDERTAKINGS**

processed in the previous quarter. The employer must pay the amount within one month of the date of the invoice.

- 3.4. Rechargeable Pensions** - Where amounts of discretionary pension are paid by LPPA on the employer's behalf, the quarterly amounts will be recharged to the employer and payment must be made within 30 days of invoice date.

This also applies in respect of other rechargeable pension e.g. where the employer has liability to pay for pre 1.4.1974 pensions increase payments and other unfunded pensions.

- 3.5. Year End Information** - The employer will provide information requested by the core team at year end by no later than that set out in the timetable provided by the Administering Authority at year end. The employer will also provide information requested by LPPA no later than that set out in the timetable provided by the Administering Authority at year end.

3.6. Processing

- 3.6.1. LPPA Pensions Data Return** - Employers must upload the LPPA Pensions Data Return promptly at the end of every pay period. Data on this file must reconcile to contributions paid over each month, and must contain accurate figures of pensionable pay, including assumed pensionable pay where appropriate, for LPPA to post to individual member records. Files should be at the latest uploaded by 10th of the month following pay period end.

- 3.6.2. New Starters / Disclosure of Information** - At the latest, on the first day of employment, the employer will provide all new starters with LGPS information and request that the employee completes a LPPA Member – Enrolment Form.

The employer will notify the member of their formal admittance to the scheme, and the contribution rate they will pay.

If the employee opts out of the LGPS with less than three months active membership, the employer must refund contributions through payroll. The employer must not encourage employees not to join, or to opt out of the scheme.

The employer must continue to monitor the workforce in line with Automatic enrolment legislation and re-enrol eligible employees to the LGPS at their re-enrolment date.

Employers must upload the LPPA Pensions Data Return promptly every pay period, from which LPPA will arrange for scheme membership for any new starters.

- 3.6.3. Adjustments of Career average pay** - Employers must contact LPPA where a Pension Pot Adjustment is required due to any of the following circumstances:

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS
POLICY –
Part C: EMPLOYER UNDERTAKINGS**

- Where a retrospective change is made to the scheme section and the scheme section was reported incorrectly in a previous pay period;
- Where a member is brought into the scheme retrospectively and arrears of contributions are recovered;
- Where a leaver is overpaid, and pensionable pay has been reported incorrectly in a previous pay period.

3.6.4. Changes in circumstance - Employers must submit the LPPA **Pensions Data Return** promptly every pay period, from which LPPA will arrange for the update of scheme member records in the following circumstances -

- Change of hours / weeks;
- Change of contract;
- Change of tiered contribution rate; and
- Change of address.

3.6.5. Absence - Employers must submit the LPPA **Pensions Data Return** promptly every pay period, which will provide LPPA with information regarding employees who are absent, including assumed pensionable pay where relevant. On return from the following absences, the member will have suffered a loss of pension benefits, and the employer must write to the member with information on how to buy back these benefits through payment of an Additional Pension Contribution (APC).

- Additional Maternity, Paternity or Adoption Leave on no pay
- Unpaid Leave of absence
- Strike

If the member elects to pay APCs to buy lost pension within 30 days of returning from unpaid leave, the employer must fund 2/3rds of the cost. The exception to this is strike where the employee must pay the full cost.

The employer must **advise** LPPA within 10 days of return from a **period of unpaid leave**.

3.6.6. Benefit Estimates & Annual Benefit Statements - Employers must submit the LPPA **Pensions Data Return** promptly every pay period. Where LPPA have queries on the data or status of any member these must be dealt with by the employer within 5 working days, so that LPPA data is always correct and up to date ready for benefit estimate requests.

Where a fund member requests a benefit estimate for voluntary retirement, they should be directed by the employer to **PensionPoint** in the first instance. Once registered, the member can process their own estimate, or view their most recent benefit statement.

If the member requests a more complex estimate, or is retiring within the next 12 months, then the employer can request the estimate from LPPA by completing the e-form LPPA Employer – Estimate request. Or the member can request this themselves.

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POLICY –
Part C: EMPLOYER UNDERTAKINGS**

Where a fund member or employer requires an early retirement estimate which requires the employer's consent, for example for flexible retirement or redundancy retirement, there may be a potential cost to the employer and the employer should ensure they obtain an estimate of this cost from LPPA prior to consenting to the retirement.

Therefore, the estimate request must be made by the employer, through completing "Commence the estimate request process", via the LPPA employer portal.

3.6.7. Early Leavers - The employer will commence the leaver process via the LPPA employer portal when an employee leaves employment (or 'opts out' of the scheme) with no entitlement to immediate payment of retirement benefits. The employer will send the form as soon as reasonably practicable and no later than 10 working days after the final payment of salary following termination from the scheme.

3.6.8. Payment of benefits where employment is continuing - The employer will commence the flexible retirement process via the LPPA employer portal as soon as the flexible retirement has been approved.

As soon as it is known that an employee has agreed that the employee is to take flexible retirement from a post, the employer should commence the flexible retirement process via the LPPA employer portal.

The employer will set up a new employment record with a new pay reference number to enable separate reporting of pension cumulative and membership from the retired post.

3.6.9. Retirements - Employers must always request an estimate of retirement benefits where they are considering allowing a fund member to retire with early payment of pension (e.g. redundancy and employer consent retirements). There is likely to be a cost to the employer which should be considered before allowing the retirement. This does not apply to ill health retirements.

As soon as it is known that an employee is retiring with an entitlement to immediate payment of pension benefits, the employer should commence the retirement process via the LPPA employer portal.

Where an employer determines that preserved pension benefits are to be paid early, notification, including the date that benefits are to be brought into payment, will be provided to LPPA within 5 working days following the date of the decision together with all supporting documentation.

Likewise, the employer should notify the member within 5 working days following the date of the decision if their application has been refused.

**APPENDIX A - 3. ADMINISTRATION STRATEGY & COMMUNICATIONS
POLICY –
Part C: EMPLOYER UNDERTAKINGS**

3.6.10. Death-in-service The employer will commence the leaver process via the LPPA employer portal following the death of a member within 5 working days of being informed of the employees' death. The LPPA Employer – Leaver form must provide details of informant and next of kin, if known.

3.6.11. Terminal Illness Where an employee is suffering from terminal illness and limited life expectancy, employers should contact the Fund for guidance at the earliest opportunity.

3.7. Reporting legal breaches – Employers must ensure that appropriate policies and procedures are in place and all relevant parties aware of their responsibilities in relation to reporting / recording legal breaches to The Pensions Regulator.

4. Online Communication and Information Sharing

4.1. Data Sharing - LPPA and the core team undertake to develop alternative methods of data capture to automate processes and ensure that fund member data held is accurate and up to date. The employer will commit to the online/electronic requirements of LPPA and the core team.

4.2. Self-service - LPPA undertakes to develop member and employer self-service system functionality to improve customer service and provide instant access to pension information. The employer will commit to the use of the self-service system and commit to promote member self-service to their active members.

4.3. e-forms - LPPA undertakes to develop alternative methods of data capture to automate processes and ensure that fund member data held is accurate and up to date, including the development of e-forms. The employer will commit to the online/electronic requirements of Local Pensions Partnership Administration, including the requirement to use e-forms.

4.4. Access - The Employing Authority can authorise that specified employees are granted access to all active fund member records for that employer using Altair Employer Services. The employer must be satisfied that the individuals that are authorised have received appropriate information security training, and that system access is used for pension administration purposes only. The employer must observe its obligations under the General Data Protection Regulations from May 2018 implemented under the Data Protection Act 2018 arising in connection with use of the account and must not do anything which might imply a breach by Local Pensions Partnership Administration of such Act. The employer shall comply with obligations equivalent to those imposed on a data controller by the seventh principle of the Data Protection Act.

5. Circumstances for recovery of Additional Costs

5.1. Underperformance - Where the Administering Authority considers that the Employer has underperformed against the performance levels set out at part C

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Part C: EMPLOYER UNDERTAKINGS**

of this statement, the Administering Authority will seek to recover additional costs under regulation 70 of the Local Government Pension Scheme Regulations 2013 if it is economic to do so.

- 5.2. Late Payment** - In addition the Authority will seek to recover interest on late payment of contributions under the terms of regulation 71 of the Local Government Pension Scheme Regulations 2013 calculated at 1% above base rate on a day to day basis from the due date to the date of payment and compounded with 3 monthly rests.
- 5.3. New Employers** – In addition to any actuarial or legal fees payable by new employers and admission bodies the Authority will charge a flat rate administration charge of £250 towards the costs involved. This also includes newly converted academies joining Multi Academy Trusts (MAT) or those leaving MATs and entering into alternative arrangements.

6. Other Matters

- 6.1. Employer Decisions** - Any decision made by the employer under the scheme regulations should be notified to the member within 10 working days of the decision being made and must be accompanied by a statement in respect of their right of appeal.
- 6.2. Policies (Employer Discretions)** - Each employer is required to produce, publish, and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. New employers are required to provide the Fund with a copy of the policy statement within 3 months of their admission date. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.
- 6.3. Employer Terminations from the Fund** - Each employer is required to notify the Fund should they decide to cease the addition of new scheme members or if they are considering terminating membership of the Pension Fund. Notification should be made as soon as the decision has been taken, allowing the Pension Fund to instruct the actuary to carry out calculations if applicable.
- 6.4. Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS)** – the employer will ensure, where appropriate, they respond to formal consultations on the FSS and / or the ISS. Where no response is received from an employer the Fund will view this as acceptance of the proposal(s).

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Part D: COMMUNICATION POLICY**

Part D: COMMUNICATION POLICY

1. Cumbria Pension Fund recognises the government's objective to help people save for their retirement and will aim to: -
 - Actively encourage the provision of good pension information in plain English and the promotion of pensions in the workplace.
 - Increase transparency and build trust, confidence and engagement in pension saving as the norm.

2. To achieve its aim the Administering Authority will undertake to: -
 - Provide clear, accurate and timely communication about the Local Government Pension Scheme to all stakeholders.*
 - Actively promote the Scheme to prospective members and their employers.
 - Take a multimedia approach in recognition that different styles and methods of communication suit different stakeholders
 - Use and encourage the use of electronic/online communication and information sharing.
 - Support Fund employers, providing publicity and information toolkits, to enable employers to fulfil their responsibility to communicate and share information with members in relation to the Scheme.
 - Treat information security with the upmost importance.

3. **Communication Programme**

The Fund will regularly review the format, frequency and method of communication. The following programme is currently in use.

Information	Stakeholder*	Format	Frequency	Communication Channel
Actuarial Valuation	All Stakeholders	Formal Report	Triennial	Website & Forum
Fund Policy & Statements	All Stakeholders	Website	As amended	Website
Annual Benefit Statements	Members	Online ** paper	Annual	Online portal (with email alert)/by post
Customer Satisfaction Survey	All Stakeholders	Website/ email	Ongoing	Click Question
Member Guides	Members	Website	On or before employment On request	Via employer HR/payroll departments Email/internet/mail

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Information	Stakeholder*	Format	Frequency	Communication Channel
Employer Updates	Employer	Website, online	As required	Email/website
Pensioner payslips/P60s	Member	Online self-service, paper	Annually	Online portal/email/mail
Employer Guide	Employer	Website	As amended	Online/email
Employer training	Employer	Presentation /Webcast	In line with agreement/on request	Face to face/website/webinars
Factsheets	All members	Website / paper	As required / on request	Website/email
Individual member information	All Stakeholders	Self- service /paper	As required	Website/email
Employer information pack	Employers	Website/ paper	On admission	Website/email
Newsletters	Members	Website/ email/ paper	Annual	Website/email
Scheme change & legislative change	All Stakeholders	Presentation /webcast/ website	As required / on request	Face to face/website
Fund report & accounts	All Stakeholders	Website**	Annually	Website
Performance standards	All Stakeholders	Website	As amended	Website
Query***	All Stakeholders	Telephone/ email/ online/letter	Mon – Fri	Telephone/email/online contact form /letter

*Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).

** unless otherwise requested.

*** Investment Decision queries – will be responded to in line with the Fund's stated positions as detailed in the Investment Strategy Statement (ISS) (in particular sections 4.7 Responsible Investing, Stewardship and Corporate Governance and **Annex A** Investment Beliefs). Such queries will be responded to in accordance with the Administering Authority's Freedom of Information procedures.

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Part D: COMMUNICATION POLICY**

Scheme Regulations and Overriding Legislation

Cumbria Pension Fund undertakes to comply with Local Government Pension Scheme Regulations and the relevant Overriding Legislation. In particular, the Fund undertakes to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]. A full list of Scheme and related legislation is set out below: -

Local Government Pension Scheme Regulations 2013 [2013/2356]
Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/525]
Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 [2000/1410]
Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following including any relevant regulations made under the legislation set out below:

Finance Act 2004 [c.12]
Pension Schemes Act 1993 [c.48]
Pensions Act 1995 [c.26]
Pensions Act 2004 [c.35]
Pensions Act 2008 [c.30]
Public Service Pensions Act 2013 [c.25]
Welfare Reform and Pensions Act 1999 [c.30]
Pensions (Increase) Act 1971 [c.56]
Data Protection Act 2018
General Data Protection Regulations 2018
Income Tax (Earning and Pensions) Act 2003 [c.1]

Part E: Complaints Policy for Cumbria LGPS

1. Definition of a complaint

- 1.1.** Cumbria LGPS puts the satisfaction of its Scheme Members at the heart of its business and we always strive to provide a high quality service. However, we are aware that sometimes things can go wrong, and if you are unhappy with the services provided by the Fund you have the right to make a complaint.
- 1.2.** Cumbria LGPS defines a complaint against the Fund as an expression of dissatisfaction about the standards of service; non-compliance with LGPS Regulations; actions or lack of action by the Fund or LPPA acting on behalf of the Fund.
- 1.3.** Any complaint against an employer of the Fund should be made directly to the respective employer and addressed through their complaints process.

2. Who can make a complaint?

- 2.1.** Any scheme member or individual receiving a service from the Fund may make a complaint against the Fund.
- 2.2.** Third parties acting on behalf of scheme members may make a complaint against the Fund, however checks will be undertaken to ensure the authenticity of the third party and that they have the consent of the scheme member to act on their behalf.
- 2.3.** Where a person who is the subject of the complaint does not have capacity to give consent, as defined by the Mental Capacity Act, then a best interest decision will be made about accepting or rejecting the complaint. Any such decisions will be communicated to the complainant.

3. How to make a complaint?

- 3.1.** All complaints associated with the Fund will initially be considered by LPPA. Complaints should be submitted in writing by:
 - E-mail to LPPA.Complaints@localpensionspartnership.org.uk; or
 - In writing to: LPPA
PO Box 1382
Preston
PR2 0WQ
- 3.2.** When submitting a complaint, please provide sufficient information to enable LPPA to identify:

- Your name;
- Your National Insurance number;
- Your Employer (where relevant); and
- Any other details that will help LPPA identify your pension record.

4. What will happen to my complaint?

4.1. LPPA will acknowledge receipt of your complaint within 5 working days. It will then commence a review of your complaint and will:

- Respond to you fully within 30 working days or update you on progress after 30 working days.
- Keep you informed of progress in resolving your complaint.
- Resolve your complaint within 8 weeks or provide you with a detailed update at that point.
- Provide a clear written outcome to your complaint.

4.2. In dealing with your complaint LPPA will:

- Treat all complaints fairly.
- Be objective.
- Learn from every complaint.
- Put right faults in our processes.
- Address any training requirements with the LPPA team and the Cumbria Fund team.

5. What if I am dissatisfied with your response to my complaint?

5.1. If you remain dissatisfied following a response to your complaint from LPPA then you can raise an internal dispute following the Internal Dispute Resolution Procedure (IDRP).

5.2. The IDRP is a formal complaints procedure. This is a two stage process although many complaints are resolved at the first stage. Any complaint you make will be treated seriously and considered thoroughly and fairly.

5.3. Full details of the IDRP process are available on the LPPA website at: **www.lppapensions.co.uk/customer-care/internal-dispute-resolution-procedure/**

5.4. If you remain dissatisfied with the outcome of your complaint after having been considered through the IDRP process, you can refer your complaint to the Pensions Ombudsman. Details are available on the Pensions Ombudsman's website at: **www.pensions-ombudsman.org.uk/**

6. Other sources of help.

6.1. The Money and Pensions Service (MaPS)

MaPS is a free service and is part of the Money and Pensions Service which is an arm's length body, sponsored by the Department for Work and Pensions. It has replaced The Pensions Advisory Service. MoneyHelper is there to make money and pension choices clearer for people. MaPS provides independent and impartial information about pensions, free of charge, to members of the public. It is available to assist members and beneficiaries of the scheme with any pensions query they may have or any general requests for information or guidance concerning their pension benefits.

www.moneyhelper.org.uk/en/pensions-and-retirement

6.2. The Pensions Regulator

This is the regulator of work-based pension schemes. The Pensions Regulator has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases the Regulator is able to fine trustees or employers and remove trustees from a scheme.

www.thepensionsregulator.gov.uk/

6.3. The Pension Tracing Service

Holds details of all pension schemes. If you were in a scheme in the past and have lost touch with them, the tracing service may be able to help you track them down. Details are available at:

www.pension-tracing-service-uk.co.uk/pension-trace/

6.4. The Pensions Ombudsman

The Pensions Ombudsman has a dispute resolution team who will try to resolve complaints where members or beneficiaries cannot resolve the matter with the scheme administrators. If this still does not resolve the complaint an application can be made, within 3 years of the event (or within 3 years of when you first knew about it), to the Pensions Ombudsman's legal team for an adjudication.

The Pensions Ombudsman can investigate and determine any complaint involving maladministration of the scheme or matters of fact or law and his/her decision is final, binding and enforceable in court. Matters where legal proceedings have already started cannot be investigated. More information can be found here

www.pensions-ombudsman.org.uk/

4. INVESTMENT STRATEGY STATEMENT (ISS)

4 INVESTMENT STRATEGY STATEMENT

4.1 Introduction

The principal powers under which an LGPS invests are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require an Administering Authority to prepare, maintain and publish an Investment Strategy Statement (ISS). The aim of the ISS being to formulate a policy for the investment of its Fund money, which must be in accordance with guidance issued by the Secretary of State.

The Regulations require that the ISS must be reviewed and, if necessary, be revised at least every 3 years and a statement of any revisions published. Following an in-depth review of Investment Strategy (undertaken in conjunction with the 2019 triennial valuation) the strategy, including a new target asset allocation, was approved by the Pensions Committee on 13th December 2019. This was revisited in light of the COVID-19 pandemic during the summer of 2020 and early 2021, to review and consider further changes in response to the impact of the pandemic on investment market conditions and expected returns. The Investment Strategy Statement was updated to reflect the current strategy, approved by Pensions Committee on 14th March 2023.

The next in-depth review of Investment Strategy will be undertaken during 2023/24 by Westmorland & Furness Council as the new administering authority. The Investment Strategy Review will take into consideration the key outcomes of the 2022 triennial valuation and their implications going forwards, and that the strategy must be sufficiently flexible to meet longer term prevailing market conditions and address any short-term cash flow requirements. Any suggested revisions to the Fund's strategy, including the core investment objectives and target asset allocation, will then be approved by the Pensions Committee.

The Investment Strategy Statement (ISS) outlines the Fund's investment strategy, and how the investment risk and return issues have been managed relative to the Fund's investment objectives. It should be read in conjunction with the Funding Strategy Statement (FSS) which sets out how solvency risks will be managed with regard to the underlying pension liabilities.

The Administering Authority has consulted with appropriate persons in preparing the ISS (such as investment advisors and the actuary) and taken and acted on any advice received. The Pensions Committee agrees to ensure the ISS will be kept under review and updated when necessary, but as a minimum reviewed annually and published in the Annual Report.

The Authority will invest in accordance with its investment strategy, any Fund money that is not needed immediately to make payments from the Fund. Any deviations from the agreed strategy will be reported to the Pensions Committee, the Pension Board and the Director of Resources (S151 Officer) so that appropriate corrective actions can be undertaken.

The ISS covers the following:

- Background (4.2)

4. INVESTMENT STRATEGY STATEMENT (ISS)

- Approach to investment (4.3)
- Types of investments and limits (4.4)
- Approach to risk (4.5)
- Approach to pooling (4.6)
- Policy on responsible investing (including climate change), stewardship and corporate governance (4.7)
- Policy on exercise of rights (4.8)
- Compliance of Cumbria Fund with the Updated Myners Principles (4.9)
- Cumbria LGPS Investment Beliefs (Annex A)

4.2 Background

The Cumbria Pensions Committee is delegated to exercise Westmorland and Furness Council's responsibility as Administering Authority for the management of Cumbria Local Government Pension Scheme ("Cumbria Pension Fund" or the "Fund"). The Terms of Reference are set out in the Fund's Governance Policy and include approving the investment strategy for the Pension Fund.

4.2.1 Cumbria Pensions Investment Sub Group (ISG)

The Pensions Committee shall establish a Pensions Investment Sub Group (ISG). The working group have an advisory role; its purpose is to assist the Committee by:

- Carrying out investment asset class monitoring; i.e. monitoring investment performance and the progress of the implementation of the Cumbria Pension Fund's Investment Strategy.
- Providing an update report to Pensions Committee outlining investment performance during the preceding period, and escalating any matters of concern or for further consideration to the Pensions Committee.
- Where appropriate to giving initial consideration to investment opportunities prior to their being considered by Pensions Committee.

4.2.2 The investment objectives of the Fund

- The long-term objective is for the Fund to achieve and maintain a funding level of 100% over an average recovery period of 10 years from April 2023. This target will be reviewed following each triennial actuarial valuation and consultation with Fund employers.
- The investment objective is to achieve an investment return to match the actuary's long term assumptions for future service of CPI+2.00% per annum and past service of CPI+1.25% per annum over a twelve year period from April 2020. This gives a combined minimum required return of CPI +1.75% per annum.

4. INVESTMENT STRATEGY STATEMENT (ISS)

- The Fund will target an outperformance of this over 10 years, within a diversified portfolio to stabilise returns and reduce volatility throughout the period. On advice from the ISG the outperformance target will be reviewed periodically by the Committee.
- The actuarial funding target is reviewed after periodic actuarial valuations and consultation with Fund employers and may undergo a partial or full review at other times should circumstances warrant it.
- The Fund expects to gain 0.6% to 0.7% per annum (net of fees) over the Fund's customised benchmark from active management, over a market cycle.

4.3 Approach to investment

The Pensions Committee is charged with the responsibility for the governance and stewardship of the Fund. The Fund has adopted a prudent, risk aware investment strategy, which is kept continually under review through an annual evaluation of the Funding Strategy. Asset allocation decisions are taken in the best long term interest of Fund employers and member beneficiaries.

The Fund's Statement of Investment Beliefs is included at **Annex A** to this policy and the overarching objective is to manage a sustainable and solvent Local Government pension fund on behalf of current and future members of the fund.

In line with the above overall objective, the Fund will invest money in a wide variety of investments, having assessed the suitability of particular investments; the investment objectives, the impact of different economic scenarios on achieving required total Fund returns, and the resulting diversity across the whole Fund.

Prior to any such decisions being made the Fund will take appropriate external independent advice.

4.3.1 **Strategy Review**

A full Strategic Investment Review will normally be undertaken by the Fund every three to five years by specialist professional advisors. The investment strategy (including the core investment objectives and asset allocations) will be sufficiently flexible to meet longer term prevailing market conditions and address any short term cashflow requirements. Interim reviews may be undertaken to ensure that the Strategy remains appropriate.

4.3.2 **The Strategic Benchmark**

The Fund will operate a fund-specific benchmark for the investment portfolio, with long-term allocations to the various investment asset classes, which reflect the circumstances of the Fund. As the Fund has adopted a fund-specific benchmark, it is not appropriate to compare the Fund directly with external

4. INVESTMENT STRATEGY STATEMENT (ISS)

comparators. Nevertheless, regard will be paid to them over the longer term to ensure the Fund's targets and actual returns remain comparative to other similar funds.

4.4 Types of investments and limits

The Fund will hold a range of asset classes as set out in the table below. These will be reviewed continually in light of market conditions and new investment products. As is appropriate all asset classes and products will be kept under continual review.

In addition to considering the benefits of individual products and asset classes for introduction into the strategy, consideration will be given to how the inclusion affects the overall risk/return characteristics of the total portfolio. Before any investment decisions are made by the Pensions Committee, full professional advice will be sought. If there are any instances where advice received is not to be acted upon, full reporting to both the Committee and the Pension Board will occur.

The Fund will set and publish targeted strategic asset allocation, the advisory ranges, and the maximum percentage of the total value of all investments of fund money that can be invested in particular classes of investment.

Following an in-depth review of Investment Strategy (undertaken in conjunction with the 2019 triennial valuation) the strategy, including a new target asset allocation, was approved by the Pensions Committee on 13th December 2019. The target strategy was revisited in early 2021 in response to the impact of the COVID-19 pandemic on investment market conditions and expected returns, with the refinements made approved by Pensions Committee on 16th March 2021. The target asset allocation ranges (from March 2023) are shown below.

Asset/Investment	Targeted Strategic Asset Allocation %	Advisory Range	Limit (maximum %)
Public Equity	35%	22 – 45%	50%
Private Equity	7%	4 – 12%	17%
Infrastructure equity	12%	6 – 18%	22%
Commercial property	8%	6 – 12%	19%
Residential property	2%	0 – 4%	8%
Multi Asset Credit	5%	3 – 18%	20%
Private Debt / Credit	14%	3 – 18%	20%
Government Index-Linked Bonds	16%	13 – 22%	30%
Strategic Cash	1%	0 – 4%	10%
	100%		

4. INVESTMENT STRATEGY STATEMENT (ISS)

The transition to move to the target strategic asset allocation is expected to take a number of years, given the time required to deploy capital into private markets, and the investment allocation as at 31 December 2022 has made good progress towards the long term strategic target.

The Fund has agreed a set of interim allocations – as set out in the table below – which aim to provide a good benchmark for future progress in implementing the Fund’s long term investment allocation in a stepped manner. Having these interim allocations in place will allow the ISG to carry out their responsibility for implementing tactical changes, including the establishment and review of performance benchmarks and targets for investments.

Asset	Actual at Dec 2022 %	Interim aim (from 1/10/22) %	Target long-term aim %	Advisory Range	Limit maximum %
Public Market Equity					
- UK Equity	4.7%	4.5%	4.5%		
- Overseas Developed	4.7%	4.5%	4.5%		
- Active Global Equity	20.8%	20%	20%		
- Passive World Equity	5.3%	6%	6%		
Public Equity total	35.5%	35%	35%	22 - 45%	50%
Private Markets					
- Infrastructure	13.4%	12%	12%	6 – 18%	22%
- Private Equity	9.9%	7%	7%	4 – 12%	17%
- Private Debt	6.8%	7%	14%	3 – 18%	20%
Multi-Asset Credit	11.5%	12%	5%	3 – 18%	20%
Property	8.1%	9%	10%	6 – 12%	19%
Index-Linked Gilts	13.7%	16%	16%	13 – 22%	30%
Strategic cash	1.1%	2%	1%	0 – 4%	10%
	100.0%	100.0%	100.0%		

No more than 5% of the Fund will be invested in entities which are connected with the Administering Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. The current strategy has no such investments.

4.5 Approach to Risk

4.5.1 Risk Management and reporting

Risk management is the process by which the Administering Authority systematically identifies, addresses and reports the risks associated with its Pension Fund activities; it is a key element of good governance for any organisation.

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Officers of the Fund maintain a Cumbria LGPS risk register (details of the format of the register and the methodology for measurement of risk can be found in the Internal Control & Risk Management Policy). This is a dynamic document, which is reviewed at every Pensions Committee and Pension Board meeting. It incorporates details of the major risks facing the Fund and includes a traffic light scoring system to categorise the anticipated likelihood and impact of each risk. Members are charged with actively monitoring progress in relation to controls and actions taken to mitigate risk. Between meetings should any major risk emerge, this will be escalated by Fund Officers immediately to the Chair, Vice Chair and Director of Resources (S151 Officer).

4.5.2 Appetite for Risk

Risk is inherent in any investment or operational activity and the Committee recognises that it has a need to take risk (e.g. investing in return-seeking assets) to help it achieve its funding objectives. It is also recognised that, whilst increasing risk may increase potential returns over the long-term, it also increases the risk of more short-term volatility in the funding position. The Fund therefore seeks to achieve a balance between seeking to deliver its target returns and minimising overall portfolio risk by controlling risk rather than try to eliminate it.

The Pensions Committee has determined that the Fund's appetite for risk is conservative, based on delivering long term stable returns in line with prudently set actuarial targets. The Committee believes that a key tool in achieving this is investing in a well-diversified portfolio, taking into account the consideration of local, national and international risks, including:

- **Valuation (volatility) risk:** the Actuarial valuation assumes that the Fund generates an expected return equal to or in excess of the Fund's discount rate. An important risk to which the Fund is exposed is that the return is not achieved, e.g. due to unexpected increases in CPI, changes to interest rates, market cycle or Environmental, Social and Governance (ESG) factors, such as climate change. Key mitigations in relation to this risk include:
 - The CPI linked discount funding basis.
 - The Fund's Investment Strategy is expected to incorporate approximately 31% of assets linked to inflation.
 - Investing in a diverse portfolio of investments;
 - Responsible Investment; the Fund is committed to being a responsible owner and believes that responsible investment, incorporating ESG considerations, such as climate change into investment decisions, can help to improve the long term value for investors e.g. by minimising the risk of stranded assets and the financial impact of regulatory change; and
 - Setting manager performance targets to avoid undue exposure to risk.

4. INVESTMENT STRATEGY STATEMENT (ISS)

- **Changing demographics:** The risk that longevity improves, and other demographic factors change, increasing the cost of Fund benefits. The key mitigation in relation to this risk is detailed consideration of long-term demographic trends (at both local and national level) as part of the Actuarial Valuation process which is currently conducted at least triennially.
- **Concentration risk:** The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. The Fund seeks to mitigate this through investing in a diversified portfolio of assets. This risk is managed through the review of the Fund's Investment Strategy which is undertaken in full every three to five years with interim reviews undertaken as required.
- **Liquidity risk** (not having monies available to make pension payments to members as they fall due): The Committee recognises that the Fund is long term in nature and can therefore afford to lock up capital for longer in return for the premium it offers. However, it is also recognised that, as the Fund membership matures, there is a risk that the Fund will turn cashflow negative after investment income. To mitigate this risk the Fund undertakes cashflow planning, monitoring and management throughout the year and works closely with the Fund's investment advisors and actuary to consider the options to address any potential cashflow implications.
- **Foreign exchange risk:** (the risk of loss arising from exchange rate movements of foreign currencies) – The Fund seeks to mitigate this through investing in a diversified portfolio of assets, using active management, maintaining an unhedged listed equity exposure (to provide diversification during extreme markets movement) and to hedge other assets where practical and possible.
- **Governance:** members of the Committee and Local Pension Board participate in regular training delivered through a formally agreed training plan. Both the Committee and Local Pension Board are aware that poor governance and in particular high turnover of members may prove detrimental to the investment strategy, fund administration, liability management and corporate governance and seeks to minimise turnover where possible. The Local Pension Board and external and internal audit assist the Pensions Committee in the governance process.
- **Counterparty risk:** Counterparty risk exists in all external transactions undertaken by the Fund. The Fund seeks to mitigate this risk through the use of reputable service providers who operate effective controls. Key tools in this process are the involvement of Independent Advisors, robust procurement and ongoing contract monitoring and management.

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4.6 Approach to Pooling

4.6.1 The Fund's chosen investment pool

In order to satisfy the requirements of the "Local Government Pension Scheme: Investment Reform and Guidance" issued by the Department for Communities and Local Government ("DCLG" – now the Ministry of Housing, Communities and Local Government or "MHCLG") in November 2015, Cumbria County Council elected to become a shareholder in Border to Coast Pensions Partnership Ltd (BCPP). BCPP is an FCA-regulated Operator and Alternative Investment Fund Manager ("AIFM"), being operational from June 2018.

BCPP is a partnership of the following funds:

- Bedfordshire Pension Fund
- Cumbria LGPS
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pension Fund
- South Yorkshire Passenger Transport Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund*
- Warwickshire Pension Fund

* Regulations relating to the merger of the Northumberland Pension Fund into the Tyne and Wear Pension Fund (two of the original partners in BCPP) were laid before Parliament on 14th May 2020 and came into force on 3rd June with the merger being back dated to 1st April 2020. The merger had been anticipated for some time.

4.6.2 The Fund's approach to pooling

BCPP has been created by like-minded funds, its guiding principles include:

- One fund one vote, regardless of size, all Funds will be treated equally;
- Equitable sharing of costs (where possible);
- Funds retaining governance role and ownership of asset allocation;
- Providing internal management capability; and
- Generating improved net of fees risk-adjusted performance.

The aim of pooling assets for the Partner Funds is to maximise the long-term net of fees investment returns attributable to each of the Partner Funds. All Partner Funds accept that if savings are to be achieved, changes will be required through the rationalisation and standardisation of processes.

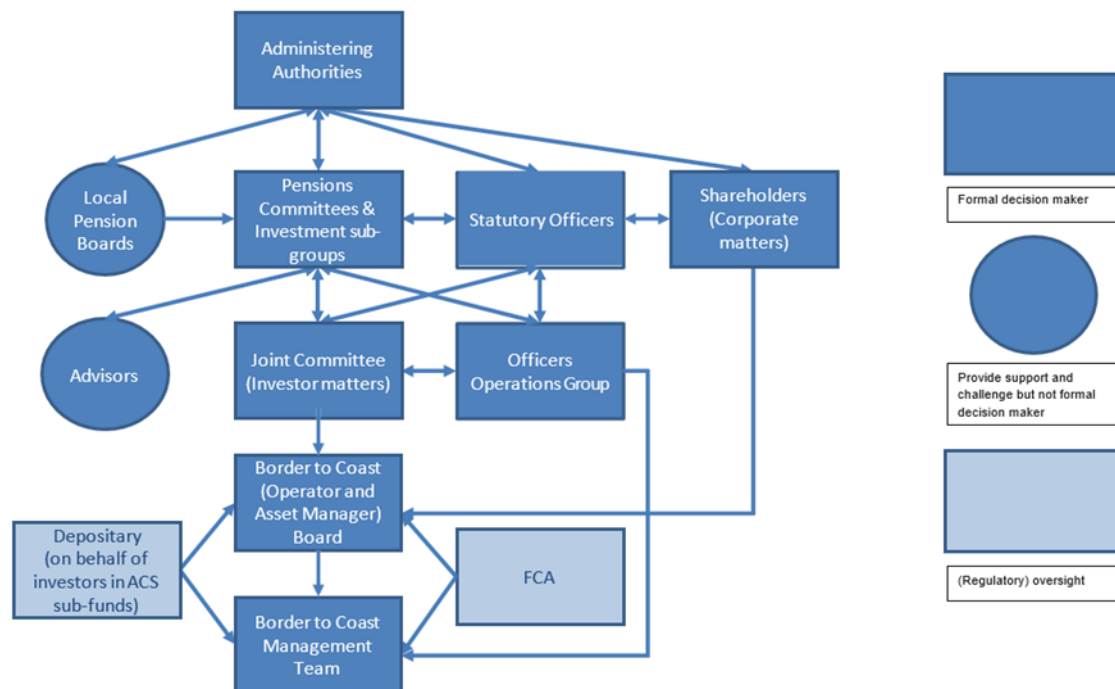
There is clear segregation between duties undertaken by the Fund and duties undertaken by the BCPP. The Fund retains the decision-making powers regarding investment strategy and asset allocation, and delegates the

4. INVESTMENT STRATEGY STATEMENT (ISS)

investment management function to BCPP. This ensures that the fiduciary duty and democratic responsibility of the Fund can be maintained, whilst facilitating the delivery of cost benefits and the expanded professionalisation of the investment functions through scale.

BCPP has an internal team of investment managers, in addition to appointing external managers. Its role is to independently and professionally deliver Partner Funds asset allocation choices. It makes decisions relating to and monitors the investment managers (including employees of the BCPP Pool) who manage the administering authorities' "fund money".

The diagram below details the governance structure of BCPP and how it interacts with the various governance arrangements within the Partner Funds and key external entities:



Cumbria LGPS holds BCPP to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of BCPP.
- A representative on the Joint Committee who will monitor and oversee the investment operations of BCPP.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.
- The Fund will monitor and regularly review the investment performance of the assets under BCPP's management, seeking explanation and attendance of BCPP personnel at meetings where necessary.

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Further details of the Governance of BCPP can be found in the BCPP Governance Charter:

<https://www.bordertocoast.org.uk/app/uploads/2021/09/Governance-Charter-2021.pdf>.

4.6.3 Assets to be invested with the Pool

The Fund's intention is to invest its actively managed assets through the BCPP pool as and when suitable investment solutions become available. The key criteria for assessment of Pool solutions will be as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund; and
- That there is financial benefit to the Fund in investing in the solution offered by the Pool.

At 31 December 2022 investments of £1.3 billion (representing approximately 44% of the Fund in total) had been made in BCPP's UK Equity, Global equity, Overseas Developed Equity, Private Equity, Infrastructure, Multi-Asset Credit and Private Credit funds. In addition to this consideration was also being given to investing in the UK Property ("real estate") funds. The detailed parameters and objectives of other investment opportunities are continuing to be developed.

The Fund undertakes due diligence before and during the transition of assets to BCPP to ensure the interests of Cumbria LGPS are upheld.

The Fund is intending to retain the following assets outside of the BCPP pool:

- Passive investments with Legal and General. These are currently held through life policies and these will remain assets of the Fund. However, the Fund benefits from joint procurement arrangements with other partner funds and BCPP for these services. Monitoring of the manager continues to be carried out by the Fund.
- The Fund has investments in a number of closed end funds which invest in private markets. These include private equity, infrastructure and private debt investments. Each of the individual funds has a fixed life with all assets being returned to investors within a specified period. There is a risk that sales of these investments would only be possible at material discounts to net asset value. Therefore, the Committee believes that it is in the best interests of the Fund to retain these investments. It is anticipated that once these investments mature the proceeds will be reinvested into BCPP-held investments.
- The Fund also has a small number of investments in open-ended funds which invest in infrastructure and long-lease property. The Fund will

4. INVESTMENT STRATEGY STATEMENT (ISS)

explore the business case for transferring these assets to BCPP to determine if it is practical and cost effective to do so.

- The Fund is currently working with BCPP and Partner Funds to explore options for existing investments in direct UK property.

The Fund will perform a review of assets held outside the pool at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. This position was reviewed as part of the 2019 investment strategy review; and will be again in 2023.

4.7 Policy on Responsible Investing, Stewardship and Corporate Governance

Responsible investing aims to incorporate environmental, social and governance (ESG) factors, including climate change, into investment decisions, to better manage risk and generate sustainable, long-term returns and is part of the investor's fiduciary duty.

The overriding objective of the Fund is to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. To do this it must deliver its stated risk adjusted performance targets. The Fund recognises that good stewardship, corporate governance and responsible investing are fundamental drivers in achieving these objectives.

Businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As such the Fund is committed to being a responsible owner and believes that responsible investment, incorporating environmental, social and governance (ESG) factors (including climate change) into investment decisions, can help to improve the long-term value for investors.

The Committee recognises that ESG issues, such as climate change can have a material impact on the value of financial assets and ESG is therefore considered across all asset classes where, in the view of the manager, such considerations may add to the risk of comparative under-performance for example because of changes to the regulatory regime of an industry in which a particular company operates. Equally, where a manager has a view that a positive social, environmental and governance stance by a company will add to its relative performance, this would be an appropriate factor for the manager to take into account in stock selection.

The Fund believes that the best way to be a responsible investor and to influence policy change is not through divestment but through active engagement. The Fund would only disinvest if maintaining an investment negatively affected the Fund's duty to generate investment return. The Fund considers that, by exerting pressure as an investor, it can bring more influence

4. INVESTMENT STRATEGY STATEMENT (ISS)

on companies than it could by boycotting specific sectors from its investment strategy. Consequently, the Fund does not believe that it is appropriate to explicitly divest from any specific sector or invest in any specific sector solely on ESG issues.

Engagement is key in enabling administering authorities as long-term shareholders to exert a positive influence on companies to promote strong governance, manage risk, increase accountability and drive improvements in the management of ESG issues.

Cumbria is a member of the Local Authority Pensions Fund Forum (LAPFF), a collaborative shareholder engagement group which brings together 86 local authority pension funds from across the UK with combined assets of approximately £350 billion, in addition six of the LGPS Pools have joined the forum. LAPFF seeks to protect the investments of its members by promoting the highest standards of corporate governance and corporate social responsibility (i.e. responsible action by the companies in which its members invest) on environmental, social and governance (ESG) issues (including climate change).

The Fund's commitment to responsible investment, corporate governance and stewardship is communicated by the Fund's Stewardship Report 2021/22, which focuses on activities and outcomes, it is available as part of the Annual Report and Accounts 2021/22 on the Fund's website at:

<https://www.cumbriapensionfund.org/media/j2hfwj03/cumbria-lgps-2021-22-annual-report-final-pre-audit-sign-off.pdf>

The report was submitted to the FRC in October 2022 and has been assessed as meeting the requirements of the FRC's UK Stewardship Code 2020³ and Cumbria Local Government Pension Scheme is listed as a signatory to 'the Code' and can now utilise the following logo.



The Fund's 2021/22 Stewardship Report is included as **Appendix B** to this document and is also published as a standalone document on the Fund's website at:

<https://www.cumbriapensionfund.org/media/oloixd1k/cumbria-lgps-stewardship-code-2021-2022.pdf>

³ The Financial Reporting Council's (FRC) UK Stewardship code 2020 sets high expectations on those investing pension fund monies. It seeks to set a clear benchmark for stewardship as the responsible allocation, management and oversight of assets to create long term value and lead to sustainable benefits for the economy, the environment and society.

4. INVESTMENT STRATEGY STATEMENT (ISS)

BCPP (the pooling company jointly owned by the Fund and 10 other Partner Funds which manages all of the Fund's actively managed listed equities in addition to some multi asset credit and alternative assets) also published a Responsible Investments and Stewardship report 2021/22:

<https://www.bordertocoast.org.uk/publication/responsible-investment-and-stewardship-report-2021-2022/>. BCPP also submitted their report in October 2022 and the report has been assessed as meeting the requirements of the FRC's UK Stewardship Code 2020. All other investment managers are also required to adhere to the UK Stewardship Code (or equivalent code in their regional jurisdiction).

BCPP became operational from July 2018 and all Partner Funds have committed to use the company to fulfil their obligations to pool LGPS assets. The Funds have therefore collaborated to create the BCPP Responsible Investment Policy to allow for the Pool to exercise collective shareholder voting rights effectively through leveraging the benefits of scale.

All Funds, including Cumbria, have agreed that their individual Responsible Investment policies will be broadly aligned to that of BCPP; this should not create material changes to any Fund's policy as the Funds are likeminded and the policy was created with reference to the partner fund's existing policies. The annual review of the BCPP policy is timed to allow the partner funds to both input into the review process and then allow for continued alignment to the individual Fund's policy. Further details of the BCPP Responsible Investment Policy can be found at:

<https://www.bordertocoast.org.uk/wp-content/uploads/2023/01/Responsible-Investment-Policy-2023-1.pdf>

In October 2022, BCPP also published a standalone Climate Change Policy, which details the approach that BCPP will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of the Partner Funds.

The informed use of votes, while not a legal duty, is a responsibility of the owners of companies (shareholders or ourselves as a Pension Fund) and as such is an implied fiduciary duty of pension fund trustees and investment managers to whom they may delegate this function. Members as "de-facto Trustees" have a duty to safeguard shareholder value and in this regard, there is an increasing body of evidence to suggest that a well governed company is more likely to deliver stronger long-term investment performance. See 4.8 for further details on the Policy regarding exercise of voting rights.

4.8 Policy on exercise of rights

The responsibility for the exercise of voting rights is currently delegated to the investment managers, however Cumbria LGPS has the opportunity to override votes if considered appropriate. Investment managers are expected to approach the subject of voting with the same care and attention as other

4. INVESTMENT STRATEGY STATEMENT (ISS)

matters which influence investment decisions. Voting should be undertaken where it is believed to be in the best interests of the Fund.

Where a resolution is put forward which is deemed to be controversial the manager should liaise with the authority as appropriate. Investment managers need not vote on routine issues.

- Actively managed listed equities: The Fund's investments in actively managed liquid equities are all held with BCPP (the pensions pooling company jointly owned by the Fund and 10 other Partner Funds). Details of the BCPP Corporate Governance and Voting Guidelines can be found at:
<https://www.bordertocoast.org.uk/wp-content/uploads/2023/01/Corporate-Governance-Voting-Guidelines-2023.pdf>
- Passive listed equities: The structure of the Fund's investments in passive pooled indexed funds means that it cannot directly influence the social, environmental and governance policies and practices of the companies in which the pooled funds invest. The Members are satisfied that the Fund Managers Corporate Governance policy reflects the key principles of Responsible Investment, and ESG issues, including climate change. Details of Legal and General Investment Management's approach to Corporate Governance and responsible investment can be found at:
https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf

The Fund's investment managers are required to report quarterly on their voting actions for every appropriate investment. Any responses received from companies concerned should also be reported. The Fund's investment managers should hold and make available to the Fund a full voting audit trail. The outcome of voting actions should also be shown if possible.

The Pensions Committee is kept informed on relevant corporate governance issues arising during the period. As part of the Annual Report there will be full disclosure of voting activity.

All investment managers are required to adhere to the UK Stewardship Code (or equivalent code in their regional jurisdiction).

4.8.1 Other rights

Responsibility for actioning any other rights within the portfolio is delegated to the investment managers, i.e. stock splits, rights, scrip dividends or other share entitlements. Investment managers are expected to approach this with the same care and attention as other matters which influence investment decisions and in the best financial interest of the Fund. Exercise of such discretions is reviewed during the manager engagement reviews.

4. INVESTMENT STRATEGY STATEMENT (ISS)

4.9 Compliance of Cumbria Fund with the Updated Myners Principles

Principle 1: Effective Decision Making	Not Compliant	Fully Compliant
<p>Administering authorities should ensure that</p> <ul style="list-style-type: none"> • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest. 		<p>✓</p> <p>✓</p>
<p>The Fund has a clear scheme of delegation and arrangements for provision of management and advice. Investment decision-making is undertaken either by the Pensions Committee or delegated to the Director of Resources (S151 Officer) in consultation with the Investment Sub Group; governance oversight of these processes is provided by the Local Pension Board.</p> <p>The Members of the Pensions Committee perform duties similar to private trustees and are elected councillors of Westmorland and Furness and Cumberland Councils, together with employee representatives. The Members' Allowance Scheme operates for the remuneration of the elected councillors on the Pensions Committee. Two independent Investment Advisors normally attend Pensions Committee meetings.</p> <p>The dedicated Investment Sub Group has an advisory role, it's purpose is to assist the Committee by carrying out investment asset class monitoring, reporting investment matters to the Committee and where appropriate giving initial consideration to investment opportunities prior to their consideration by Committee.</p> <p>The Group comprises four Members of the Pensions Committee (nominated by the Committee), the two independent advisors to the Pensions Committee and the Chief Finance Officer (S151 Officer) or (deputy in their absence).</p> <p>The Pensions Committee have their skills and experience developed through training events, external seminars and fund manager presentations on a regular basis.</p> <p>The Fund has a team of professional investment and support staff, made up of Officers of the Council, who provide advice on a day-to-day basis. The Pensions Committee Chair and Members can contact officers and independent advisors on an ad hoc basis as and when required.</p> <p>Expert consultants and Actuaries are also used by the Fund as required.</p> <p>The Training Policy covers the training and development of Members of the Committee and ISG, the Board and the officers responsible for the management of the Fund. It ensures that:</p> <ul style="list-style-type: none"> • the Committee has the required knowledge and skills to make appropriate decisions and offer challenge; 		

4. INVESTMENT STRATEGY STATEMENT (ISS)

- members of the Board have the relevant knowledge and capacity to assist the Administering Authority of the Fund secure compliance with relevant regulations and legislation and the requirements of The Pensions Regulator; and
- Officers are adequately trained and experienced to undertake the day to day operation and management of the Fund.

There is a forward-looking business plan and progress is regularly evaluated. This includes a three-yearly strategic investment review, following the Actuarial Valuation.

Principle 2: Clear Objectives	Not Compliant	Fully Compliant
<ul style="list-style-type: none"> • An overall investment objective(s) should be set out for the Fund that takes account of the Fund's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and fund employers, and these should be clearly communicated to advisors and investment managers. 		✓
<p>The investment objectives and Fund attitude to risk are detailed in the Investment Strategy Statement and the Internal Control & Risk Management Policy; and the Funding Strategy Statement details the funding objectives. Both are formally reviewed and approved annually as well as being updated in the interim as required.</p> <p>In determining the Investment and Funding Strategies, the Fund, in conjunction with its Independent Advisors and Actuary, considers the Fund's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and fund employers.</p> <p>The Fund has its own investment benchmark although regard is paid to peer performance to comply with Best Value methodology. The Fund's liability profile will normally be considered in relation to its benchmark every three years, with annual interim reviews.</p> <p>All fund managers have clear written mandates, governed by the Fund's strategic objectives and Pension Investment Regulations, and are reviewed regularly by officers and the Pensions Committee.</p>		
Principle 3: Risk and Liabilities	Not Compliant	Fully Compliant
<ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 		✓ ✓

4. INVESTMENT STRATEGY STATEMENT (ISS)

Consideration of the form and structure of the Fund's liabilities and the appropriateness of the Fund's strategic asset allocation to meet these in the longer term is the cornerstone of both the triennial valuation of the Fund and its review of its Investment Strategy.

A full strategy review is undertaken every three years in conjunction with the Actuarial Valuation and the most recent was agreed by the Committee in March 2021.

The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the two unitary councils and the other employers of the Fund, taking a prudent longer-term view of funding the liabilities. This process includes consideration of the strength of employer covenants (which is also kept under less formal review in between valuations).

Principle 4: Performance Assessment	Not Compliant	Fully Compliant
<ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisors. • Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members. 		<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
<p>To ensure independence and oversight the Fund uses an external performance measurement service. Investment performance is reported to the Pensions Committee each quarter, and as a minimum there is an Annual Performance Review with the Fund's external performance monitoring service provider.</p> <p>Ongoing performance contribution will be reviewed quarterly in addition to the annual and longer-term investment performance being reviewed in detail. The Fund operates a tiered performance monitoring framework, the three tiers being officers and advisors, the Investment Sub Group (ISG), and the Pensions Committee, with governance oversight from the Local Pension Board.</p> <p>Investment Managers are constantly under review, with Officers and Advisors informing the ISG and escalating any issues immediately. Officers and Advisors will meet with managers (holding greater than 4% of the total Fund investments including future commitments i.e. £124m at December 2022) formally at least annually and report their findings from these meetings to the ISG.</p> <p>The ISG is responsible for carrying out investment asset class monitoring; i.e. monitoring investment performance and the progress of the implementation of the Cumbria Pension Fund's Investment Strategy monitoring; providing an update report to Pensions Committee outlining investment performance during the preceding period and escalating any matters of concern for further consideration to the Pensions Committee and where appropriate giving initial consideration to investment opportunities prior to their being considered by Pensions Committee. The ISG receives a quarterly report covering every manager, which sets out performance</p>		

4. INVESTMENT STRATEGY STATEMENT (ISS)

results and a broad range of metrics. Should there be any items of concern, the ISG escalates such matters to the full Committee.

The Pensions Committee is responsible for strategic decision making and oversight and makes 'hire/fire' decisions or see managers due to escalation from the Investment Sub Group.

The Pensions Committee Members are surveyed regularly for their views on quality of advice given by the Investment Advisors. In September 2019 the Fund approved strategic objectives for its Investment Advisors in line with the Competition and Markets Authority (CMA's) order related to the Investment Consultancy and Fiduciary Management. The Fund has submitted a statement to the CMA to confirm compliance with the order.

Effectiveness of Pensions Committee decisions, such as strategy and manager selection, are discussed in the Annual Report and Accounts.

Principle 5: Responsible Ownership	Not Compliant	Fully Compliant
<p>Administering authorities should:</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • include a statement of their policy on responsible ownership, including climate change in the Investment Strategy Statement; and • report periodically to Fund members on the discharge of such responsibilities. 		<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
<p>Voting at Company meetings is delegated to investment managers. Reporting is required on a quarterly basis and is incorporated into the quarterly monitoring of the Fund by the Pensions Committee.</p> <p>The Financial Reporting Council's (FRC), UK Stewardship Code 2020, sets high expectations on those investing pension fund monies. It seeks to set a clear benchmark for stewardship as the responsible allocation, management and oversight of assets to create long term value and lead to sustainable benefits for the economy, the environment and society. The Fund's commitment to responsible investment, corporate governance and stewardship is communicated by the Fund's Stewardship Report 2021/22, which focuses on activities and outcomes, and it is as part of the Annual Report and Accounts 2021/22 on the Fund's website at:</p> <p>https://www.cumbriapensionfund.org/media/j2hfwj03/cumbria-igps-2021-22-annual-report-final-pre-audit-sign-off.pdf</p> <p>The report was submitted to the FRC in October 2022 and has been assessed as meeting the requirements of the FRC's UK Stewardship Code 2020 and Cumbria Local Government Pension Scheme is listed as a signatory to 'the Code'.</p>		

4. INVESTMENT STRATEGY STATEMENT (ISS)

BCPP (the pooling company jointly owned by the Fund and 10 other Partner Funds which manages all of the Fund's actively managed listed equities) also published a Responsible Investments and Stewardship report 2021/22:

<https://www.bordertocoast.org.uk/publication/responsible-investment-and-stewardship-report-2021-2022/>

BCPP also submitted their report in October 2022 and the report has been assessed as meeting the requirements of the FRC's UK Stewardship Code 2020.

All other investment managers are also required to adhere to the UK Stewardship Code (or equivalent code in their regional jurisdiction).

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), thus demonstrating a commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility.

Principle 6: Transparency and Reporting	Not Compliant	Fully Compliant
<p>Administering authorities should</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and • provide regular communication to members in the form they consider most appropriate. 		<p>✓</p> <p>✓</p>
<p>The Investment Strategy Statement (ISS) includes:</p> <ul style="list-style-type: none"> • The Fund's Statement of Investment Beliefs (Annex A) • The Fund's investment objective, • The Fund's approach to investment and risks, • The types of investments and limits. <p>The ISS (previously the Statement of Investment Principles) will be included in the Fund's Annual Report; these are publicly available on the Fund's website. https://www.cumbriapensionfund.org/forms-publications/</p> <p>Investment performance is included in the Annual Report.</p> <p>The Cumbria LGPS Pension Board is given full access to all Pensions Committee papers and are provided with briefing sessions and training presentations appropriate to their ongoing business. In addition, they are also offered the opportunity to join all training sessions provided for the full Committee.</p> <p>The Cumbria Pensions Forum meets to inform and consult on wider pensions issues; the members have access to the Annual Report and Accounts, the current Fund Policy Document and public Pensions Committee papers.</p> <p>The Pensions Committee Minutes and Agenda are available on the Council's website.</p>		

4. INVESTMENT STRATEGY STATEMENT (ISS)

The Cumbria LGPS Pension Board Minutes and Agenda are available on the Council's website.

A summary of the financial position and latest Fund news is made available to all members of the fund with their Annual Benefit Statement. This will outline details of how scheme members can access more detailed information online, which includes the full Annual Report and Accounts.

The Administration Strategy (including Communications Policy) sets out the Fund member and pensioner administration operations, with the policy for communication with members and access to information, in full detail. This is also included in the Annual Report and published on the Council's website.

4. INVESTMENT STRATEGY STATEMENT (ISS)

ANNEX A – CUMBRIA LGPS INVESTMENT BELIEFS

STATEMENT OF INVESTMENT BELIEFS

OVERARCHING OBJECTIVE

To manage a sustainable and solvent Local Government pension fund on behalf of current and future members of the Fund.

BEHAVIOUR FRAMEWORK

- Communicate in a clear and constructive way
- Act with honesty and respect for others
- Demonstrate a positive flexible attitude
- Take responsibility for our actions
- Obtain and maintain the appropriate knowledge and skills to understand the investments and risks undertaken within the Fund; and
- Treat all employers and members of the fund equitably

INVESTMENT BELIEFS

1. Our investment strategy should be determined by reference to the Fund's assets, liabilities and our risk tolerances

- Our long-term primary goal is to generate returns required to fund our members' current and future pensions.

2. Asset allocation has the greatest impact on the overall risk and return of the Fund

- Diversification of investments reduces the volatility of asset returns and limits non market specific risk.
- Investment managers should be responsible for stock selection.
- Over the long-term equities are expected to deliver a higher return than bonds.

3. It is important to take a long-term perspective when considering the investment strategy, but recognise the implications of shorter-term market volatility

- The greatest risk to the fund is not short-term market volatility but the permanent loss of value.
- Benchmarks should be used to measure performance, and not drive or dictate behaviour.
- Volatility represents an opportunity to the long-term investor in that it allows the investor to purchase assets at a price below their long-term value.

4. INVESTMENT STRATEGY STATEMENT (ISS)

- By the same token volatility allows profits to be taken and unexpected gains realised.
- However, it is recognised that volatility can impact on employers in the Fund (through its impact on employer contributions) and, therefore, ultimately on the Fund (as unsustainable employer contributions can have implications for the solvency of the Fund).

4. Good governance improves the quality of decision making

- Officers, Pensions Committee and Pension Board members should have the appropriate knowledge and skills to understand the investments and risks undertaken within the Fund.
- The team supporting the Pension Fund needs to be appropriately resourced, including having access to external advice, to ensure successful management of the Fund.
- Good returns, net of fees and costs, come from well-resourced and well governed Funds.

5. All investments have a degree of financial risk, but we should only accept financial risk where we have a strong belief that we will be rewarded for it.

- Active management can deliver superior risk adjusted returns over time on a net of fees basis in certain markets.
- Passive management provides the most cost effective means of gaining exposure where it is believed that active management is not expected to add value.
- Costs matter and need to be managed and controlled however cost alone should not drive decision-making – the key consideration is return net of fees and costs.

6. There are multiple risks to which the fund is exposed and those risks that are not sufficiently compensated should be mitigated, managed or avoided if possible.

- Investors should be rewarded for giving up liquidity.
- Investment risks are multi-faceted and will change over time.
- Investors should be wary of investments where the promised return is out of proportion to the apparent risk.
- Investors should be aware of potential misalignment of interests especially when coupled with superior access to information on the part of the investment managers and advisors.

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

4. INVESTMENT STRATEGY STATEMENT (ISS)

- ESG factors, such as climate change, can have a material impact on the value of financial assets in the long term. Being a responsible investor and incorporating ESG factors into investment decisions can help to improve the long-term value for investors.
- We believe that the best way to be a responsible investor and to influence policy change is not through divestment but through active engagement.
- We expect management teams and board of directors to be responsive to their shareholders.
- We will lead by example by ensuring we are an active shareholder and, where appropriate, utilising the scale of collaboration with other LGPS Funds.

Approved 14 March 2023 by the Pensions Committee

5. CASH INVESTMENT POLICY

5 CASH INVESTMENT POLICY

5.1 Introduction & Regulations

The Cash Investment Policy for Cumbria Local Government Pension Scheme was first approved by the Cumbria Pensions Committee in 2010, with the latest revisions approved on 14 March 2023. The Policy has been constructed and will be maintained by the Administering Authority with regard to the applicable regulations and guidance.

5.2 Management of Pension Fund Cash

The Administering Authority will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and accordingly will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with the Administering Authority will comply with the requirements of the Regulations (SI 2016 No 946).

5.3 Cash Investment Priorities

The Cumbria Pension Fund's cash investment priorities are: -

- a) the security of capital,
- b) the availability of cash to meet payroll, investment commitments, and other payments, and
- c) the liquidity of its investments.

The Investment Strategy Statement sets the **maximum** level i.e. percentage of the Fund's total allocation that can be held in cash and/or cash-like investments (current maximum 10%). Where strategic cash is included in the Fund's benchmark as an asset (currently 0–4%), the Administering Authority will use investment managers' pooled funds where it is most efficient to do so. The Administering Authority should aim to keep the working cash balance held (for day to day cash requirements) to a minimum, recognising that cash must be available when required to fund commitments to certain of the Fund's investments, such as infrastructure and alternative investments.

The Fund will also aim to achieve a modest return on its cash investments commensurate with proper levels of security and liquidity. The risk appetite of this Fund is low in respect of the cash elements in order to give priority to security of its cash investments.

5.4 Investment and Counterparty Choice

The Cumbria LGPS will seek advice on its Investment Policy from the officers and advisors of Westmorland and Furness Council. Investment instruments identified for pension cash must be allowable within the Council's own Investment Strategy from the 'Specified Investment' category. Counterparty choice for pension cash will be restricted to those with creditworthiness satisfying the Council's own Treasury Management criteria.

5. CASH INVESTMENT POLICY

All credit ratings will be monitored through the Council's use of the Treasury Advisors' creditworthiness service. The Council will also use market data and information, information on government support for banks and the credit ratings of that government support.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its use for pension fund cash will be withdrawn immediately.

5.5 Investment Strategy for Pension Fund Cash

Subject to the priorities as stated in 5.3 above, the investment of any fund money that is not needed immediately must be invested using the following strategy:

- Set a day-to-day working cash holding limit at 2.5% of the Fund's total investments for the NatWest Liquidity account and Money Market Funds in total and allow officers discretion to invest appropriately between them. At 31 December 2022 2.5% was £77 million.

It is recognised that on occasion, due to specific circumstances, an extension could be necessary to this cash balance limit, for example due to asset or manager restructuring. However, any such instances would require prior approval, in consultation with the Chair and Vice Chair, from the Director of Resources (S151 Officer). Additionally, every reasonable action should be taken to ensure the period of the extension is kept to a minimum and at most would be no greater than ten days (this being the timing of weekly unit fund dealing dates). Members are to be formally notified of any such limit extensions at the next Committee date after such an extension has occurred.

5.6 Role of the Section 151 Officer

The treasury management role of the Director of Resources (S151 Officer) with respect to pension fund cash will be -

- recommending the Cash Investment Policy for approval, reviewing the policy regularly, and monitoring compliance;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function, and reporting activities to the Pensions Committee as appropriate;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

5.7 Review of Policy

The Cash Investment Policy will be kept under regular review to accommodate any necessary changes due to regulations, changes in the UK banking support package, to bank creditworthiness, and any other necessary amendments, to maintain the security of capital and the liquidity of the pension fund cash invested.

9. TRAINING POLICY

9.0 TRAINING POLICY

Contents

Cumbria LGPS Pension Fund Training Policy

- 9.1 Introduction
- 9.2 Policy objectives
- 9.3 Application of Training policy
- 9.4 Purpose of training
- 9.5 Review and maintenance
- 9.6 Resources
- 9.7 Induction
- 9.8 Maintenance of knowledge and understanding
- 9.9 Compliance and reporting
- 9.10 2023/24 Learning Programme

9. TRAINING POLICY

9.0 CUMBRIA LGPS PENSION FUND TRAINING POLICY

9.1 Introduction

A major factor in the governance arrangements of the Cumbria LGPS Pension Fund (“the Fund” or “the Cumbria Pension Fund”) is ensuring Committee Members, Local Pension Board members and Officers have the relevant skills and knowledge. The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator and, accordingly, an increased emphasis on knowledge and understanding.

This Training Policy of Cumbria Local Government Pension Scheme sets out the policy agreed by the Pensions Committee concerning the training and development of –

- the Members of the Pensions Committee and the Investment Sub Group, including substitutes;
- the Members of Cumbria Local Pension Board including any independent chair and substitutes; and
- Officers of Cumbria County Council responsible for the management of the Local Government Pension Scheme (LGPS),

collectively referred to ‘members of the governing body’ for the purposes of this Policy.

The Training Policy is established to ensure members of the governing body have the appropriate skills and knowledge to perform their respective duties in the administration of the Fund. In setting the Training Policy the Fund takes into account the requirements relating to the following four areas:

a) The Pensions Regulator Codes of Practice

The Pensions Regulator issues Codes of Practice which set out its expectations for the management of pension funds including knowledge and understanding of the people involved. Whilst the Codes of Practice are not a legislative requirement, in the event of any investigations undertaken or any enforcement action, the Pensions Regulator does refer to them.

At the time of writing, a new code is expected to be issued by the Pensions Regulator which will replace the current Code of Practice no. 14 – ‘Governance and administration of public service pension schemes’. The requirements of the draft version of the new code have been taken into account in this Policy.

b) CIPFA Knowledge and Skills Code of Practice and Framework

In 2021 CIPFA published an updated Code of Practice on LGPS knowledge and skills (“CIPFA Code of Practice”) which updated guidance for Members and Officers of Pension Committees in the LGPS within a knowledge and skills framework which reflects the latest developments in the area for the LGPS.

The CIPFA knowledge and Skills framework for the LGPS sets the skill set for those responsible for pension scheme financial management and decision

9. TRAINING POLICY

making. The Framework covers eight areas of knowledge identified as the core requirements-

- Pensions legislation and guidance
- Pensions Governance
- Funding Strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

The CIPFA Code of Practice recommends (amongst other things) that LGPS administering authorities adopt the following statements-

- adopt key principles of the Code of Practice on LGPS Knowledge and Skills;
- recognise that effective management, governance, decision making and other aspects of delivery of the Fund can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them;
- put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the Fund;
- confirm that the policies and practices are guided by reference to the CIPFA LGPS Knowledge and Skills Framework;
- ensure there are adequate resources in place to ensure all staff, members and other persons responsible for the management, decision making, governance and other aspects of the Cumbria Pension Fund to acquire and retain the necessary LGPS skills and knowledge;
- report annually on how its Training policy has been put into practice throughout the year in the Fund's Annual report; and
- delegate the responsibility for the implementation of the requirements of the CIPFA Code of Practice to an appropriate officer (for the Cumbria Pension Fund this is the Deputy S151 Officer - Pensions) who will act in accordance with the Fund's Training policy and where they are a CIPFA member with CIPFA Standards of Professional Practice.

The Cumbria Pensions Committee fully supports the CIPFA Code of Practice and adopts its principles. The CIPFA Code of Practice and Framework are seen as meeting the requirements of the Public Sector Pensions Act 2013.

9. TRAINING POLICY

c) CIPFA Principles of Investment Decision Making and Disclosure

The CIPFA Principles of Investment Decision Making and Disclosure was published in response to the government's report updating the Myners Principles, this indicates Administering Authorities are required to prepare and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. Details of how the Fund complies with these principles please refer to the Fund's Investment Strategy Statement.

d) MiFID ii (Markets in Financial Instruments Directive)

The Fund's investment managers undertake both quantitative and qualitative tests to assess whether the Fund as a client can demonstrate their expertise, experience and knowledge to be treated as professional client in accordance with MiFID ii (Markets in Financial Instruments Directive). These tests seek to assess whether the Administering Authority can demonstrate sufficient collective understanding to be capable of making investment decisions in complex asset classes whilst being cognisant of the nature of the risks involved. The training policy and subsequent reporting assists the Fund in ensuring knowledge and skills are acquired and maintained.

9.2 Policy objectives

The Fund's objectives relating to knowledge and understanding are:

- The Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise, and that the knowledge and expertise is maintained in a changing environment
- Those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage conflicts of interest
- To demonstrate the Fund's status as a professional client under the EU directive, MiFID ii (Markets in Financial Instruments Directive) to investment managers, hence accessing appropriate investment products
- The Pension 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 Fund
- To demonstrate compliance with relevant legislation and guidance.

To assist in achieving these objectives, the Fund will aim for compliance with the CIPFA Knowledge and Skills Framework and Code of Practice and the public service Code of Practice issued by The Pensions Regulator (as detailed above).

9.3 Application of Training Policy

The Training Policy will apply to all Members of the Pensions Committee (including substitutes) and Local Pensions Board (including any independent

9. TRAINING POLICY

chair and substitutes) and appropriate Officers who advise the Committee and Board (including but not limited to the Section 151 Officer and the Deputy Section 151 Officer – Pensions), regardless of experience.

9.4 Purpose of training

Investment in training harnesses an individual's potential, focuses on what is to be achieved and provides personal development. As such the purpose of training to both Members and Officers of the Cumbria Pension Fund is to:

- equip those charged with the oversight and management of the Fund with the necessary skills, knowledge and training, and
- meet the required needs in relation to the Fund's objectives.

9.5 Review and maintenance

This Training Policy is expected to be appropriate for the long-term but to ensure good governance it will be formally reviewed at least annually by the Committee to ensure it remains accurate and relevant.

9.6 Resources

Members are required to invest sufficient time in their learning and development so as to acquire and maintain sufficient knowledge and skills to be effective. The Fund will provide the necessary support from Officers and Advisors and where appropriate will recommend and fund places at external training events.

The Fund will maintain a list of items the members of the governing body should be familiar with, in a **'Member Handbook'**.

Members are provided with access to an online **'Pensions Knowledge Library'** which as well as containing reference documents, also contains background reading on a range of areas.

The Annual Learning Programme (as detailed at item 9.10) may include various resources or methods of training delivery including:

- In-house sessions from officers and/or advisors
- Bespoke training delivered by external providers but specifically designed for the Fund
- External courses, seminars and webinars
- Shared training with other Schemes or Frameworks.

Where possible the Fund will endeavour to schedule internal training sessions to coincide with scheduled meetings of the Pensions Committee or Local Pensions Board.

Officers will recommend external events to members on a regular basis (as and when available), allocation of places will be based on the Annual Learning

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Programme (section 9.10) and in such a way as to balance the provision of training and the costs. External events have the benefits of providing exposure to wider sources of information and also allows Members the opportunity to network with peers, advisors and officers from other funds.

Members should be aware that they are likely to receive direct invitations to many other external conferences and seminars, However, those recommended by officers should be prioritised. Should members receive any direct invitations, it is requested that these be forwarded to officers for consideration of the value and relevance of the event - it is unlikely that Fund will approve costs to attend events if they are not considered to be appropriate.

Members of the governing body are asked to share any material such as presentations from all external events attended with officers so that the material can be added to the 'Pensions Knowledge Library' for the benefit of all members.

In addition, those attending events will also be expected to provide feedback to Officers following attendance at events so that they can be assessed on a VFM basis for possible attendance by others in future years.

All members of the governing body are encouraged to read relevant media (for example magazines, news articles) to enhance their knowledge of the pensions and investment industry in general and where possible the LGPS in particular.

Costs associated with complying with this Policy will be paid by the Fund. Members and Officers will be required to agree any costs in advance. Any hospitality received whilst undertaking the Learning Programme should be declared to Officers, in advance where possible or as soon as possible upon return from any event.

9.7 Induction

All new members will be required to start a programme of learning immediately on appointment, if not before. Prior to taking part in any decision making, new members will be required to become familiar with the **'Members Handbook'**.

A senior officer of the Pensions team will also hold an induction meeting with new Members to provide an oversight of the LGPS, details of the Cumbria Pension Fund and outline the key governance arrangements for the Fund including the responsibilities of Committee and Board members.

Members are required to ensure they undertake sufficient training to enable them to demonstrate a basic level of knowledge and understanding needed to manage the Fund within six months of their appointment, as required.

9.8 Maintenance of knowledge and understanding

A 'Knowledge Assessment' exercise will be undertaken on an annual basis (usually in late Autumn) to identify both group and individual knowledge gaps. This will inform a Learning Programme plan (the current plan is set out below at 9.10). The Learning Programme will be developed taking into account current

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knowledge and understanding and also forthcoming workloads, including LGPS national changes or Fund-specific issues. The Learning Programme will be flexible, allowing members to update areas of learning and to acquire new knowledge.

The results of the annual Knowledge Assessment will be reported to Pensions Committee and Local Pension Board. Pensions Committee will be asked to approve the annual Learning Programme for the Fund, the Local Pensions Board then review and may add to the plan should they feel any additional learning is required by its Members before approving the Board's own combined learning programme.

Individual Members of the Pensions Investment Sub Group (ISG) Members will be expected to be knowledgeable in relevant investment matters in order to enable them to fulfil the functions of the ISG.

9.9 Compliance and reporting

The Fund is obliged to publish records of Members learning records which will include attendance at events and other learning activities undertaken. Annual learning records, and meeting attendance records, are included in the Fund's Annual Report and will be reported to the Pensions Committee and Local Pension Board on a regular basis.

Through the year, Officers will maintain a log of all events attended for each individual member together with any other learning such as completion of any online training modules or other appropriate and measurable Pensions related learning. It is therefore important that members notify Officers of any self-directed activity they undertake.

It is the individual member's responsibility to ensure their learning records and attendance records at training events and Committee or Board meetings are correct. Officers will share the records with members on a regular (typically bi-annual) basis during the year.

Failure of individual members to participate in the Learning Programme reflects on the requirement for the Administering Authority to ensure that those involved in the governance of the Fund have the requisite knowledge and skills and therefore could be escalated by Officers.

As such, members who do not show a general level of attendance at meetings and engagement in learning opportunities or training events may be reported to Council or nominating bodies (as appropriate). Members of the Local Pension Board could be referred to the appointments panel and ultimately asked to step down from the Board.

9.10 2023/24 Learning Programme

The 2023/24 Learning Programme is set out in the table of training topics below. The Programme would usually be informed by the annual Knowledge Assessment (as noted at 9.8 above) together with up and coming national legislative / policy

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changes. However, due to the anticipated significant change in the membership of the Pensions Committee and Board Members following the LGR process, this year's programme is more of an Induction Programme. As such it is based to a large degree on the acquisition of both general and LGPS specific Pensions knowledge and skills.

It also seeks to ensure that the training covers the key themes and developments which drive the Fund's business plan for 2023/24, including:

- Ensuring that Members understand the Fund's investment pooling arrangements including: the ongoing development of Border to Coast Pensions Partnership Ltd (BCPP) sub-fund offerings and national developments in relation to the pooling of investments; and
- Keeping Members and Officers abreast of relevant developments in the LGPS, the wider pensions world and investments markets, such as:
 - The Government's response to the Scheme Advisory Board's (SAB's) Report on Good Governance in the LGPS and the Pension Regulator's updated Codes of Practice. Both of these are expected imminently; and
 - LGPS Governance and Climate Risk Reporting – the Government is preparing to issue regulations and/or statutory guidance for LGPS funds aimed at further enhancing the reporting of climate related financial information.

Finally (and importantly), it is designed to provide sufficient training for Officers and Members to ensure they continue to meet the high level of knowledge required to ensure the Fund continues to be well governed and managed and remain compliant with the MiFID ii regulations.

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.
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.

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Training Topics
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).

In addition, other items on topical or emerging issues will be included as appropriate, and the proposed training topics may therefore change depending upon emerging issues.

APPENDIX A: GLOSSARY

Active Management – Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions. (*Also see Passive Management*).

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Actuarial Valuation – An actuary formally reviews the assets and liabilities of the pension Fund and produces a report on the Fund's financial position.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain. These bodies can be categorised as Transferee or Community Admission bodies.

Alternatives – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure; property; art, wine etc., and financial assets such as commodities, private equity, hedge funds, venture capital; royalties / patents and derivatives.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return; and is a central concept in financial planning and investment management.

Authorised Contractual Scheme (ACS) – an ACS is a type of structure in which institutional investors (including Pension funds) can hold their pooled investments. The ACS is the investment vehicle chosen by BCPP to hold the public market quoted investments for the twelve partner funds; and provides a tax efficient means for managing all the equity and bonds held by the company.

Auto Enrolment - UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria. The law on workplace pensions has now changed and every employer must comply.

Benchmark – A yardstick against which the investment policy or performance of a fund manager can be compared, usually the index relating to the particular assets held. (*Also see Target*).

Beneficiaries (in relation to Stewardship) – In this context we are referring to Scheme Members and Scheme employers, please see separate definitions below.

Bid price – Price at which a security or unit in a pooled fund can be sold.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Buy and Hold Credit - An approach to bond investment that is very different to an index-tracking or traditional active approach. In the case of “buy and hold” investing, the starting point of the portfolio construction process is not the index weight of the bonds, but a basket of bonds that the manager believes have a high probability of honouring the payment obligations due. As such the investor’s return expectation has a “margin of safety” and is not dependant on a change in sentiment in credit markets. The intention is typically to hold the bonds until maturity (and to be prepared to sell bonds if the default risk increases). Constant duration portfolios are also available.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Class Action – An action where an individual represents a group in a court claim. The judgement from the suit is for all the members of the group (class). This is often done when shareholders launch a lawsuit against a company, mainly because it would be too expensive for each individual shareholder to launch their own lawsuit.

Conflicts of Interest - Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of these conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. These conflicts are managed through disclosure and with policies and procedures that are designed to protect client’s interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer Price Index (CPI) - The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Coronavirus (COVID-19) – The World Health Organisation (WHO) declared the outbreak of Coronavirus to be a global pandemic on 11 March 2020. Investment markets have seen significant volatility as a result of concerns relating to the Coronavirus Pandemic.

Corporate Governance - The system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Counterparty - The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to go through. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Currency Hedge – This is one way for pension funds to reduce the volatility of their foreign currency exposures, by using derivatives to convert exposures back to the domestic currency. Open funds with a long term focus commonly hedge 50% of their exposure to mitigate the worst effects that any adverse currency movement would have on the value of the Fund.

Custodian – Organisation which is responsible for the safekeeping of asset, income collection and settlement of trades for a portfolio, independent from the asset management function.

Deficit recovery period – A reasonable period of time over which a pension fund will aim to repair its funding level to meet its statutory objective of 100% solvency, taking into account employer circumstance where possible.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS, were defined benefit prior to the introduction of the Career Average Revalued Earnings (2014) Scheme.

Defined Contribution – A retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of the employee. There are restrictions as to when and how you can withdraw these funds without penalties. There is no way to know how much the plan will ultimately give the employee upon retiring. The amount contributed is fixed, but the benefit is not.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Designated Body – Also known as Resolution body – please refer below.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Diversified Credit – Also known as Multi Asset Credit – please refer below.

Divestment or divestiture – The reduction of some kind of asset for financial, ethical, or political objective. A divestment is the opposite of an investment. For investors, divestment can be used as a social tool to protest particular corporate policies.

DLUHC – Department of Levelling Up, Housing and Communities, the UK government department with responsibility for Local Government. Formerly called the Ministry of Housing, Communities and Local Government (“MHCLG”).

EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation – is a measure of a company's operating performance. Essentially, it's a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments.

Emerging Markets – Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Engagement - A series of actions investors can take to reduce environmental, social and governance risks. This can include raising concerns or making proposals about company practices directly to its directors via correspondence, face-to-face meetings, attendance and voting at shareholder meetings.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

ESG (Environmental, Social and Corporate Governance) - A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria looks at how a company performs as a steward of the natural environment. Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls, and shareholder rights. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios. See also Socially Responsible investing.

Exchange Traded Fund (ETF) - Fund that tracks an index; but can be traded like a stock.

Fiduciary Duty - A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – Another term for the defined benefit pension schemes where employee benefits are based on the person's final salary when they retire. The LGPS 2014 Scheme has moved from this to a CARE (career average) scheme.

Fixed Interest Securities – Investments mainly in government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

Futures Contract – A contract that is traded on an organised exchange and subject to rules of the exchange. It is an obligation that the buyer and seller settle the contract through purchase or sale of an underlying asset at the future date.

Gilts – These are the simplest form of UK government bond. A conventional gilt is a bond issued by the UK government which pays the holder a fixed cash payment (or coupon) every six months until maturity, at which point the holder receives his final coupon payment and the return of the principal.

Governance - The procedures and practice associated with decision-making, performance and control, which provide structures and satisfy expectations of accountability in large, mainly commercial, organisations.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Independent Registered Medical Practitioner (IRMP) – Independent Registered Medical Practitioners qualified in occupational health medicine who are asked to make an assessment under the LGPS ill health retirement regulations.

Index-linked Gilts – UK government stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Index-Tracking Fund (Managed Fund) – Pooled investment vehicle which aims to match the returns on a particular market index. The fund may hold all stocks in the index or select a sample that will perform closely to the index. Investors can buy and sell units of the fund on an on-going basis.

Infrastructure - The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – Investor's long-term distribution of assets among various asset classes taking into consideration, for example, goals of the investor, attitude to risk and timescale etc.

Joint Committee – this is the term used to refer to the committee of Partner Fund councillors. Its primary purpose is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pensions liabilities are the pensions benefits and payments that are due to be paid when someone retires; the LGPS is a 'final-salary' scheme where

pension relates to years service and final salary and so the pensions liability can be estimated by the actuary.

Loans and Receivables – are also known as ‘Financial assets held at amortised cost’ in the context of IFRS9 (International Financial Reporting Standards)

Long term cost efficiency – Implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

Market Value – The price at which an investment can be bought or sold at a given date.

MHCLG – The Ministry of Housing, Communities and Local Government. Prior to January 2018 this was Department for Communities and Local Government (“DCLG”). Now called Department of Levelling Up, Housing and Communities (“DLUHC”).

Multi-Asset Credit – MAC is a term used for a fund investing in a range of investments that are classed as ‘credit’ i.e. fixed income, and will often include corporate debt, loans directly to companies, absolute return bonds, emerging market debt, asset-backed securities, real-estate debt and high yield bonds. The MAC fund will aim to be diversified across many asset types (also known as Diversified Credit).

Myners Review – Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review, published in March 2001, investigated the challenges facing institutional investment decision making.

Other Registerable Interests – Including the receipt of gifts or hospitality worth over £100; and membership / being in position of general control or management of a body to which they are appointed or nominated by the Council.

Over-the-Counter (OTC) - A security traded in some context other than on a formal exchange such as the London Stock Exchange, New York Stock Exchange, etc. The phrase "over-the-counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralized exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Partner Funds - The term we use to describe the 10 other LGPS Pension Funds who are equal owners of BCPP along with Cumbria. A list of our partner funds can be found at: <https://www.bordertocoast.org.uk/partner-funds/>

Passive Management – Portfolio which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio. (*Also see Active Management*).

Pecuniary Interests – Including the ownership of securities and other assets, any employment, office, trade, profession or vocation carried out for profit or gain.

PIRC – Pensions & Investment Research Consultants

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale thereby, as requested by DCLG: ‘significantly reducing costs whilst maintaining investment performance’.

Portfolio – Block of assets generally managed under the same mandate.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Private Equity Secondaries – Shares in unquoted companies that were pre-existing investor commitments to private equity which have since been sold in a secondary market. Usually high risk, high return in nature.

Proxy Voting – Also known as Shareholder Voting – please refer below.

Retail Price Index – Measure of price inflation in the UK used as a guide for pensions updating. A basket of representative goods in the market is priced on a regular basis to monitor the rate of inflation. (The Government is also publishing details of the Consumer Prices Index).

Real Estate Debt – Commercial property loans; the debt is secured against commercial property or portfolios of property, eg. hotels, shopping centres, offices.

Resolution Body – Employers who, under Schedule 2 Part 2 of the Local Government Pension Scheme Regulations 2013 (as amended), have the automatic right but not the requirement to be an employer within the LGPS (also referred to as a Designated body).

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

S151 Officer – Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Scheduled Body – Public sector employers or resolution bodies that have an automatic right and requirement to be an employer within the LGPS.

Scheme Employers – employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations (as amended)) would not need to designate eligibility, unlike the Part 2 Scheme employers.

Scheme Members – are predominantly employees and ex-employees of local public sector organisations including local authorities, the police authority (non-uniformed), schools, and academies. Additionally, a small number of scheme members are employees and ex-employees of either community bodies or private companies to whom services and therefore staff have been contracted out.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Shareholder Rights & Responsibilities - Rights exist primarily through shareholdings (but can be derived through other means). The shareholder role includes responsibilities for appointing directors and auditors and ensuring that appropriate governance structures are in place. Good governance is about ensuring that company policies and practices are robust, and its operations are effective and responsibly delivered in relation to its stakeholders.

Shareholder Voting - Shareholders are people and organisations who buy shares in UK companies. In large companies, shareholders are overwhelmingly large institutional investors, such as pension funds, insurance companies, mutual funds or similar foreign organisations.

Shareholders have the right and responsibility to vote on matters of ‘corporate policy’ at the underlying company’s AGM (Annual General Meeting). UK shareholders have the most favourable set of rights in the world in their ability to control directors of corporations. UK company law gives shareholders the ability to;

- remove the board of directors with a simple majority of votes;
- change the company constitution with a three quarter vote (unless a higher figure is in the constitution);
- wind up (i.e. liquidate) the company with a three quarter vote; and
- veto any sale of a significant percentage of company assets.

The number of votes corresponds to the number of shares owned. The shareholder does not need to be present at the meeting, and many shares are voted ‘by proxy’. Managers invariably hand over the process of voting to proxy voting agencies.

In practice many shareholders delegate the voting function to Investment Managers (who have stewardship of their assets).

Resolutions which are voted upon include:

Approval of Annual Report and Accounts

Approval of Remuneration Policy, and Remuneration Report

Election/Re-election of Directors

Appointment/Re-appointment of auditors

Approve dividend

Approve political donations

Voting is the key to exercising ownership rights, and influencing investee company policy

Socially Responsible Investing – An investment that is considered socially responsible because of the nature of the business the company conducts. Common themes for socially responsible investments include avoiding investment in companies that produce or sell addictive substances (like alcohol, gambling and tobacco) and seeking out companies engaged in social justice, environmental sustainability and alternative energy/clean technology efforts. See also ESG.

Solvency – A level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Stewardship - The responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Stranded Assets – are defined as assets that have been prematurely devalued or converted to liabilities. In recent years, the issue of stranded assets caused by environmental factors, such as climate change and society's attitudes towards it, has become increasingly high profile.

Supranational Institutions – Owned or established by governments of two or more countries, usually established by international treaties and generally not subject to commercial law; they include multilateral insurance companies, monetary funds and regional public policy institutions.

Target – Managers are set a target for investment performance such as 1% above benchmark per year over three year rolling periods.

Triennial Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Cumbria LGPS Fund and produces a report on the Fund's financial position.

Unit Trust – A specific type of pooled investment fund.

Unquoted (Unlisted) Stock – A company share that is not available for purchase or sale through the stock market.

Venture Capital – Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.