

Cumbria Pension Fund – Pensions Regulator Feedback Response and Action Plan

30th September 2019

Issue	Response / Action	Lead	Timeframe
<p><u>Record Keeping – Data Quality</u></p> <p>Data Improvement Plan to be updated to reflect the actions taken to improve deferred member data scores.</p> <p>Plan to also consider what actions will be taken to maintain the quality of member data going forward.</p>	<p>The Data Improvement Plan (DIP) is updated prior to each Local Pension Board and Pensions Committee meeting. An updated version of the DIP is attached for your information.</p> <p>It is acknowledged that deferred member data scores, whilst still being high, are lower than the scores for both active members and pensioners. This has previously been explained to the Pensions Committee and Local Pension Board as being due to the Fund having less accurate address details for this group of members.</p> <p>Action to address this is included within the DIP through including all deferred members within the member tracing exercise currently being undertaken.</p> <p>Actions to address the number of Pending Leavers is included on the DIP together with progress to date. As at 31st December, 1,914 leaver forms have been returned to Your Pension Service (YPS), the Fund’s pensions administrator, which account for 53% of all pending leavers in the Fund. Work is being continued to further improve this position.</p> <p>It should also be noted that, as a direct comment from meetings with the Regulator, the DIP has been updated to include specific metrics within the plan to enable the Fund assess how successful it has been in attempting to improve data quality.</p>	N/A	N/A

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	<p>The Fund recognises that maintaining the quality of member data is not a one-off exercise but is an integral on-going action for the Fund. Following feedback from the Regulator, the DIP has been updated to include the frequency of reviewing specific elements of data quality in the future.</p> <p>Action: No further action necessary.</p>		
<p><u>Record keeping – tracing members</u></p> <p>The Pensions Regulator (The Regulator) suggested that the Fund should consider undertaking a member tracing exercise on a regular basis.</p>	<p>The Fund will evaluate the results of the data tracing exercise and then consider the value for money of this exercise based on the results received.</p> <p>If the Fund considers the data tracing exercise to have been value for money, it will consider undertaking a targeted data tracing exercise on a more regular basis. This has been noted in the Fund’s DIP.</p> <p>Details of the current data tracing exercise are included within the response to the Pensions Regulator.</p> <p>Action: To review outcomes of the data tracing exercise once it is complete and consider a more regular but targeted exercise in future.</p>	PG / Pensions Committee	2019/20 Q1 ACTIONED
<p><u>Scheme Administrator Risk</u></p> <p>The Regulator expressed concern that there is reliance at both strategic and operational levels on a few key personnel. The Regulator encourages the Scheme Manager to undertake succession planning</p>	<p>The Fund acknowledges the risk relating to reliance on key individuals. This is already included within the Fund’s risk register as one of the 15 key risks to the Fund.</p>	AC / PG / JD	2019/20 Q1 and Q2 ACTIONED

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for key personnel and ensure that all activities undertaken by the key personnel are documented.	<p>The Fund has identified key personnel and will give further consideration to succession planning. In addition to this, the Fund is also currently exploring additional options to further reduce key personnel risk within the administration function.</p> <p>Some key activities are documented through the Fund’s Business Continuity plan but there is scope for further documenting how key activities are undertaken. The Fund is currently reviewing this with a view to ensuring that all key activities (on a risk-assessed basis) are appropriately documented</p>		
<p><u>Member Communications</u></p> <p>Monitoring of website traffic on the member portal may be a useful gauge as to the effectiveness of communications and highlighting concerns members may have.</p>	<p>The Fund welcomes this suggestion and has already commenced reviewing website traffic on its own website.</p> <p>Website traffic data has been requested from YPS and, once received, this will be reviewed to assess what useful information can be identified and if any further action is required.</p>	PG	2019/20 Q2 ACTIONED
<p><u>Internal Controls</u></p> <p>The Regulator encourages the Scheme Manager to produce a written internal controls policy.</p>	<p>It is acknowledged that the Fund does not currently have a written internal controls policy. A policy has been drafted and will be considered for adoption by the Fund at the next meeting of the Pensions Committee (on 7th March). In addition to this the Fund had already identified the documentation of internal controls as an area for improvement through its review of compliance with the Regulators CoP14. The actions from that review include:</p> <p><i>“Internal Controls - Whilst compliant, additional work is required to document the internal controls of the Fund in relation to the processes for escalation and decision making processes within the Fund.”</i></p>	AC / PG / JD	2018/19 Q4 ACTIONED

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<p>The Regulator noted that there did not appear to have been sufficient planning for the planning for potential for disruption following the proposed changes by YPS.</p> <p>The Regulator encourage the Scheme Manager to review the decision making processes with regard to major decisions affecting the administration of the Fund and that more use of the Pensions Committee and Local Pension Board should be made at an early stage of decision making.</p>	<p>This is acknowledged and the risk of this has been escalated within the Fund’s risk register. By way of addressing this, a Senior Manager from YPS will be attending all future Local Pension Board meetings to enable the Board members to challenge service provision and better understand service delivery by YPS.</p> <p>The Fund has learnt lessons from experiences within YPS and has been more challenging with new system changes. For example, YPS are planning to roll out a revision to the My Pension On-Line system in February. Officers of the Fund are asking challenging questions of YPS regarding the planning and timeframe for this roll-out and will be briefing the Local Pension Board prior to the planned changes.</p>	AC / PG	2018/19 Q4 ACTIONED
<p><u>Breach of Law Reporting</u></p> <p>The monitoring and reporting of breaches is an important legal duty of the Scheme Manager and any processes around this function should be fully documented.</p>	<p>These controls are already in place within the Fund. The processes associated with the reporting of breaches are fully documented.</p> <p>The Fund maintains a breach register that details all breaches of Pensions Regulations, breaches of Fund Policies and data breaches.</p> <p>The register also details whether a breach of regulations is considered sufficiently material to warrant reporting to the Pensions Regulation. The decision making processes for this are clearly documented within the breach register.</p>	JD	2018/19 Q4 ACTIONED

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	The Fund's review of compliance with CoP14 identified an area for improvement as being the documentation of how breaches are escalated within the Fund and with scheme employers.		
<p><u>Employer Risk</u></p> <p>The Regulator noted that particular efforts should be made to establish a named escalation contact for employers at different levels within each company.</p>	<p>This recommendation is welcomed and is to be included in the escalation documentation referred to above (Breach of Law Reporting).</p> <p>It is however noted that this may not be possible for some employers (in particular the smaller employers) within the Fund.</p>	JD	2018/19 Q4 ACTIONED
<p><u>Internal Dispute Resolution Process</u></p> <p>The Regulator has noted that there is no formal definition with the Fund of what constitutes a complaint.</p> <p>The Regulator noted that the Scheme Manager should review its policy on Stage 2 IDRs to ensure that the Fund complies fully with the law.</p>	<p>Both the Fund and YPS believe that complaints can be raised in many different ways. Both organisations agree that if communication from a scheme member or employer appears to constitute a complaint (regardless of whether a complaint has been formally made) it will be logged and treated under the complaints procedure.</p> <p>The Fund will work with YPS to agree a consistent form of wording as to what constitutes a complaint and publish this on the Fund's website.</p> <p>The Fund will review its IDR process and amend as necessary to ensure continued compliance with legislation.</p>	<p>PG / JD</p> <p>PG / JD</p>	<p>2019/20 Q2</p> <p>2019/20 Q2</p>

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<p><u>Pensions Administration Policy</u></p> <p>The Regulator has noted that employer agreement to changes to the Pensions Administration Strategy is based on implied consent if no response is received from an employer to the consultations.</p> <p>The Regulator suggested that there may be advantages to requiring employers to sign the Administration Strategy as part of this process to help ensure that employers are fully aware of the PAS and any changes to their duties and responsibilities.</p>	<p>The Fund will give consideration to how it can ensure that employers are aware of the Pension Administration Strategy and any changes to the employer duties and responsibilities.</p>	<p>PG / JD</p>	<p>2019/20 Q2 ACTIONED</p>
<p><u>Maintaining Contributions</u></p> <p>As noted above under Scheme Administrator Risk, the Regulator expressed concern that there is a reliance on key personnel.</p> <p>The Regulator encourage the Scheme Manager to put in place a succession plan to ensure that there is no loss of key knowledge and relationships in the event of key staff leaving the Fund.</p>	<p>The Fund acknowledges the risk relating to reliance on key individuals. This is already included within the Fund’s risk register as one of the 15 key risks to the Fund.</p> <p>The Fund has identified key personnel and will give further consideration to succession planning to mitigate the risk of losing key knowledge and relationships in the event of key staff leaving the Fund.</p>	<p>AC / PG / JD</p>	<p>2019/20 Q1 and Q2 ACTIONED</p>

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<p><u>Affordability</u></p> <p>The Regulator noted that there is no overall policy in place for employer solvency although it was acknowledged that these events are bespoke by nature.</p>	<p>The Fund does not consider that specific policy for insolvency is appropriate as the bespoke nature of employer insolvency events and the frequency of such events makes this of limited use for the Fund.</p> <p>However, we are committed to ensuring that we retain knowledge from insolvency events. The Fund has therefore resolved to collate information and learning points from insolvency events. The intention is for this to be reviewed in future instances of insolvency to ensure our actions are informed by previous experiences.</p>	PG / JD	2019/20 Q1 ACTIONED
<p><u>Local Pension Board</u></p> <p>The Regulator considers that the Scheme Manager may wish to review progression of skills and knowledge within the Board through the annual skills audit.</p> <p>The Regulator encourages all members of the Local Pension Board to complete the Public Sector Pension Scheme (PSPS) Trustee Toolkit.</p> <p>The Regulator encourages the Scheme Manager to produce a list of documents and policies to provide a reference for</p>	<p>Officers will consider the benefits of reviewing the progression of skills and knowledge within both the Board and Committee. Officers aim to ensure that Board and Committee members have relevant skills and knowledge to make informed decisions at relevant times (e.g. increased focus on actuarial valuation skills and knowledge every three years), and therefore reviewing progression of these skills annually may not necessarily be relevant.</p> <p>Agreed. The Chair of the Board has completed all modules on the Toolkit. Other members will be encouraged to undertake this on-line training.</p> <p>Officers will consider this recommendation and review the best way to ensure that members of the Local Pension Board and Pensions Committee have access to appropriate documents and policies for the Fund.</p>	<p>PG / LT</p> <p>AC</p> <p>PG / LT</p>	<p>2019/20 Q1 ACTIONED</p> <p>2019/20 Q1 ACTIONED</p> <p>2019/20 Q1 and Q2 ACTIONED</p>

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Pension Board members as this will help them to prepare for meetings.			
<p><u>Conflicts of Interest</u></p> <p>No issues raised</p>	<p>The 2019/20 Training Plan has been amended to include a session on Conflicts of Interest to ensure that all Committee and Board members are aware of their responsibilities to avoid (or appropriately mitigate and record) conflicts with their engagement with the Fund.</p>	AC	<p>2018/19 Q4 ACTIONED</p>
<p><u>Cyber Security</u></p> <p>The Regulator suggests that consideration should be given to testing the physical access to the Fund computer systems in future audits.</p>	<p>Officers will pass the comments from the Pensions Regulator the Council's Information, Communication and Technology team for further consideration.</p>	AC	<p>2019/20 Q1 ACTIONED</p>
<p><u>Scam Activity</u></p> <p>The Regulator considers that the Scheme Manager may wish to review its process around transfer requests to consider whether all information sources are being used when deciding upon the legitimacy of a receiving scheme.</p>	<p>Officers will review its process as described by the Pensions Regulator giving particular consideration to the leaflet produced by the Regulator relating to a Scheme Transfer Checklist.</p>	PG / JD	<p>2019/20 Q2</p>