



Westmorland  
& Furness  
Council

**Cumbria  
Pension  
Fund**

# Cumbria Pensions Forum

24 October 2024

[cumbriapensionfund.org](https://cumbriapensionfund.org)

[westmorlandandfurness.gov.uk](https://westmorlandandfurness.gov.uk)



# Housekeeping

**Cumbria  
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Toilets



Mobile Phones



Fire Alarms



Feedback



# Agenda

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10:00	Welcome & Introductions	Kate McLaughlin-Flynn, Senior Manager, Cumbria Pension Fund
10:10	Pensions Review – National Position	Kate McLaughlin-Flynn
10:20	Investment Strategy & Responsible Investment Policy	Kate McLaughlin-Flynn
10:40	Pension Fund Overview and 2023/24 Performance	Pete George, Group Finance Manager
11:00	Coffee Break	
11:10	Employer Focus	Allison McGuinness, Finance Manager - Pensions
11:30	LPPA Overview and Developments	Jo Derbyshire. Managing Director - LPPA





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# Pensions Review - National Picture

Kate McLaughlin-Flynn, Senior Manager – Cumbria Pension Fund

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## What's happening?

- Concern people not saving enough for retirement - 40% working-age individuals under saving
- Making poor decisions when they do retire
- First ever joint Treasury and DWP Minister – Emma Reynolds appointed as Pensions Minister
  - drive investment
  - to ensure our pensions system is fit for the future
- Kings Speech in July announces pension scheme bill – focus on poor performing default funds as part of the value-for-money framework, the consolidation of small pension pots as well as occupational pension schemes



# Focus of the Review

Pension Review launched to boost investment, increase pension pots and tackle waste in the pensions system

Review in 2 phases

## Initial Focus

- Driving scale and consolidation of defined contribution workplace schemes;
- Tackling fragmentation and inefficiency in the Local Government Pension Scheme through consolidation and improved governance;
- The structure of the pensions ecosystem and achieving a greater focus on value to deliver better outcomes for future pensioners, rather than cost; and
- Encouraging further pension investment into UK assets to boost growth across the country.



## What sort of things are being considered?

In terms of the LGPS, there is a twin focus in this phase of the review:

Improving  
sustainability and  
affordability

Encouraging greater  
investment into “local  
communities and UK  
assets, in support of  
UK growth”

“This is in the interest of scheme members, employers and local taxpayers, as well as in support of the UK economy.”



# Where are we now?

- Key message – “The LGPS will always work first and foremost for its members – the hardworking people delivering our local services”
- Call for Evidence – asking views DC on schemes and LGPS. Spoken to Pools, Funds, representative bodies, fund managers, industry bodies and many others. Most responses received relate to LGPS.
- On LGPS interested in:
  - Pooling – What makes them effective? Should there be less pools? Thought that optimum size is c £50bn plus?
  - Funds – 86 at present. Is current governance effective? Understanding the benefits (and challenges) of local input into Committees and Boards?
  - UK investment – Encouraging further pension investment into UK assets (including Private Equity) to boost growth across the country

Interim report of initial findings from Phase 1 later this year.







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# Investment Strategy & Responsible Investment Policy

Kate McLaughlin-Flynn, Senior Manager – Cumbria Pension Fund

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# Strategy Review – Reminder



*Responsible investing involves considering environmental, social and governance – ESG - issues (such as climate change, biodiversity, and human rights) when making investment decisions to better manage investment risk and generate sustainable, long term investment returns.*

## **Investment Beliefs**

“The Cumbria Pension Fund (“the Fund”) is committed to being a responsible asset owner and believes that responsible investment can help to improve the long term value for investors. The Fund believes that this will help to achieve its overall objective of managing a sustainable and solvent pension fund on behalf of its scheme members and employers.”



# Approach

- Surveyed 42,646 fund members
  - Over 3,300 responses
  - More than 300 comments and suggestions
- Plus stakeholder roundtable (Employer reps, Cumbria Divest, BCPP)
- Highlighted not just interest in this area, but a much clearer picture of the views, sometimes strong, of scheme members and Cumbrian residents
- Responsible Investment Policy approved at March committee - approach shortlisted for national LGC Investment Awards



66% indicated that they are interested or very interested in the financial assets that their pension is invested in.



*“Safe and secure investing is paramount.”*

*“I believe the best possible return should be the aim, while avoiding unnecessary risk. If this can be achieved through green investments, then so be it, but not at the cost of benefits to the members, long term.”*

**“Delivering a well administered pension fund” was rated the highest priority by 73% of respondents.**

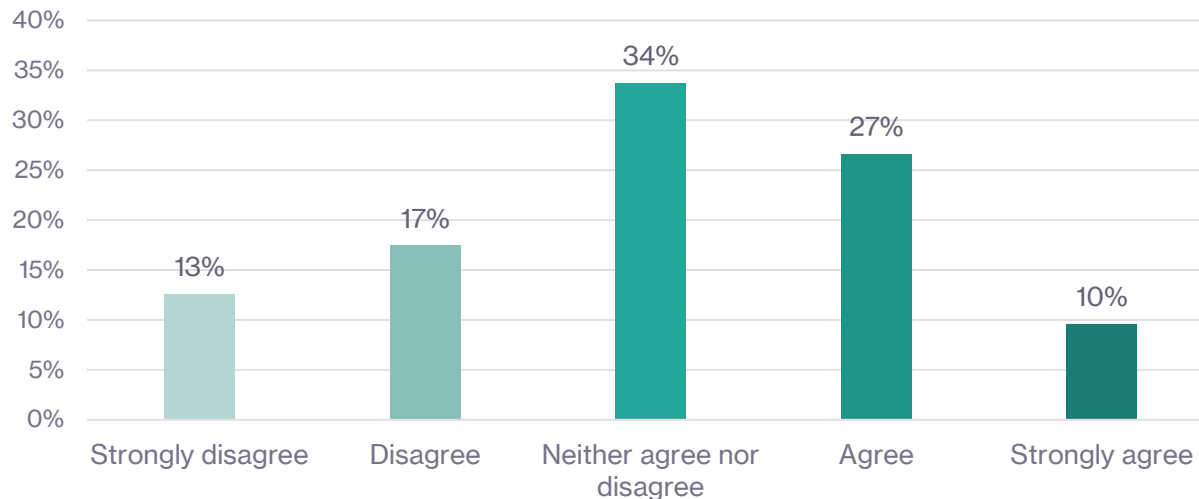


# ESG Considerations

Environmental, social and governance (“ESG”) issues are key considerations for responsible investors.

Respondents split whether the Fund should be willing to accept the risk of a lower return on its investments if this enabled the Fund to deliver on the its ESG intentions.

Q5. To what extent do you consider that the pension fund should be willing to accept the risk of a lower return on its investments if it were able to deliver on its ESG intentions?



Scheme Member responses regarding the risk of accepting lower investment returns to deliver on the Funds' ESG intentions (Base size: 2294)

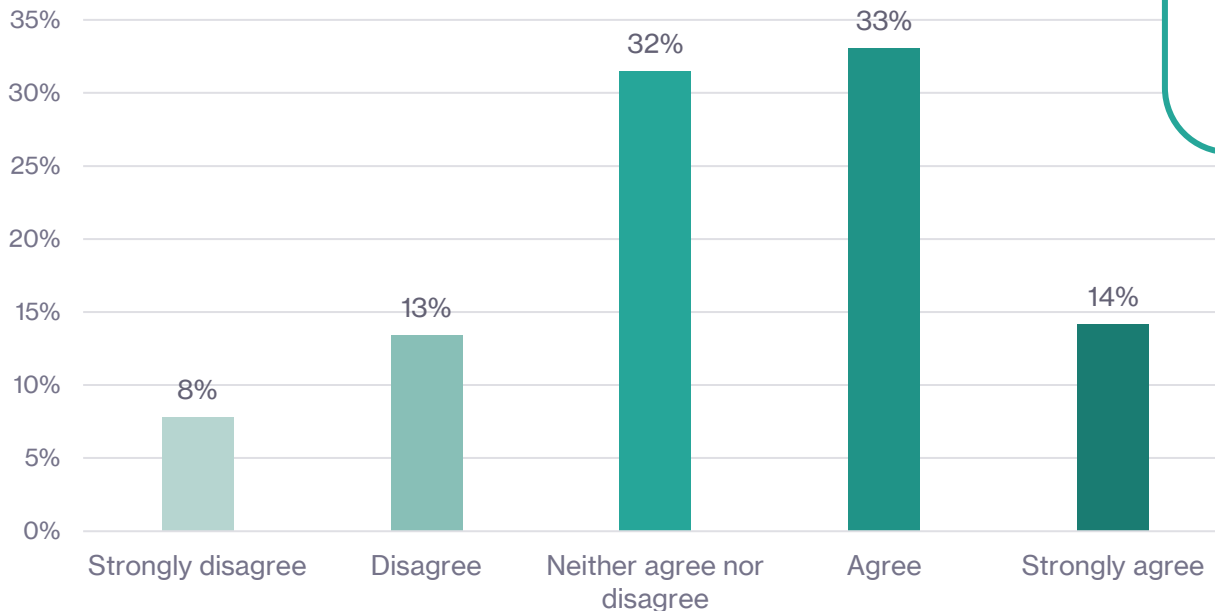


# Responsible Investing v Ethical Investing

*Responsible investing involves considering ESG issues when making investment decisions to better manage investment risk and generate sustainable, long term investment returns.*

*Ethical investment refers to an approach to investing in line with moral principles or beliefs, and most commonly includes the exclusion of certain products on ethical grounds.*

Q6. To what extent do you agree that a responsible investing approach is more appropriate for the Fund than an ethical investing approach?



Only 21% of scheme members disagreed that a responsible investing approach was the correct approach for the Fund

*"It's really important that we all use our investments to influence big business change - it's the only way to secure a sustainable future."*

Scheme Member responses showing which investing approach they feel is most appropriate for the Fund (Base size: 2079)



# Engagement and Divestment



- 54% agreed or strongly agreed the Fund should use shareholder engagement to influence the Boards of companies and encourage continuous improvement.
- 62% agreed or strongly agreed that the Fund should consider divestment where companies do not respond appropriately to continuous engagement.

*"I agree that engagement with companies that aren't behaving responsibly should be the starting point, but there should be clear criteria given as to the level and pace of improvement needed and a firmly stated commitment to divest if these criteria aren't met quickly."*





# Climate Change Policy

*A Climate Change Policy would set out how the Fund will fulfil its commitment to managing the risks and opportunities associated with climate change and transitioning to a net zero position for the Fund and its investments.*

55% felt that it was important or very important for the Fund to have a Climate Change Policy as well as a Responsible Investment Policy, highlighting the importance of climate change to our scheme members.

*“I feel we are at a stage where the fight to avoid the worst effects of climate change has to be humanity's top priority.”*



# Infrastructure

*Cumbria Pension Fund is currently invested in a range of infrastructure funds that include various green energy assets like onshore and offshore windfarms in the UK, Europe, the US and Latin America and solar power and battery storage projects in the US, Latin America and Japan.*



64% agreed or strongly agreed that the Fund should prioritise green energy assets with comparable long term expected returns.



# Stakeholder Roundtable

Agreed on many issues

- Ensure the Fund is sufficiently funded to meet liabilities
- Noted pensions payable set by statute
- Stability of employer contributions where possible
- Ethical investing and responsible investing are different decisions
- Fiduciary duty = attaining best realistic investment return and control risks. Being a responsible investor and recognising ESG issue can be an integral part of that duty
- Align to an extent with Border to Coast policies
- Engagement has role as a Responsible Investor



# Stakeholder Roundtable

## Areas of difference

- Size of risks and likely timing of risk including the issue of stranded assets
- Climate v ESG factors overall – should it be the main focus
- When has engagement failed? When is it no longer effective?
- Climate science and evidence
- Just transition – social impact of change needs to be considered
- Portfolio decision making v Fund decision making (risk appetite)



# Responsible Investment Policy

- Responsible Investment Policy agreed in March reflecting feedback from the engagement activities
- Roadmap to be developed for increased climate reporting to committee (linked to Border to Coast policy and plans)
- Communicated findings to scheme members and other interested parties, included on web pages
- Fed results back into the updated Investment Strategy, which was finalised in June



# Responsible Investment Approach

There are five major components to our Responsible Investment (RI) approach:

- 1) **Stewardship**: ensuring the Fund's RI expectations cover all assets and are being met through regular monitoring of investments and investment managers.
- 2) **Integration**: RI factors being included in investment decisions
- 3) **Voting**: using shares to 'have a say' by voting at company meetings.
- 4) **Engagement, Escalation and Exclusion**: talking to companies about issues of concern and encouraging them to adopt better practices, using voting. There may be specific instances where this is exhausted and the decision to sell or not invest is appropriate.
- 5) **Litigation**: Joining class actions, where activities undertaken by companies are considered to have had a detrimental effect to the value of the Fund.



# More information?



Available on the Fund's web site

[cumbriapensionfund.org](http://cumbriapensionfund.org)

Any questions?





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# Cumbria Pension Fund Overview and 2023/24 Performance

Pete George, Group Finance Manager

[cumbriapensionfund.org](http://cumbriapensionfund.org)

[westmorlandandfurness.gov.uk](http://westmorlandandfurness.gov.uk)





# Fund Administration Overview

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At 31 March 2024:

- 65,570 Scheme Member records
  - 22,430 Active Members
  - 23,344 Deferred Members
  - 19,796 Pensioners
- 120 Employers (down from 125)
- Fund Assets totalling £3.4bn (up from £3.2bn)
- Funding level of c. 110%

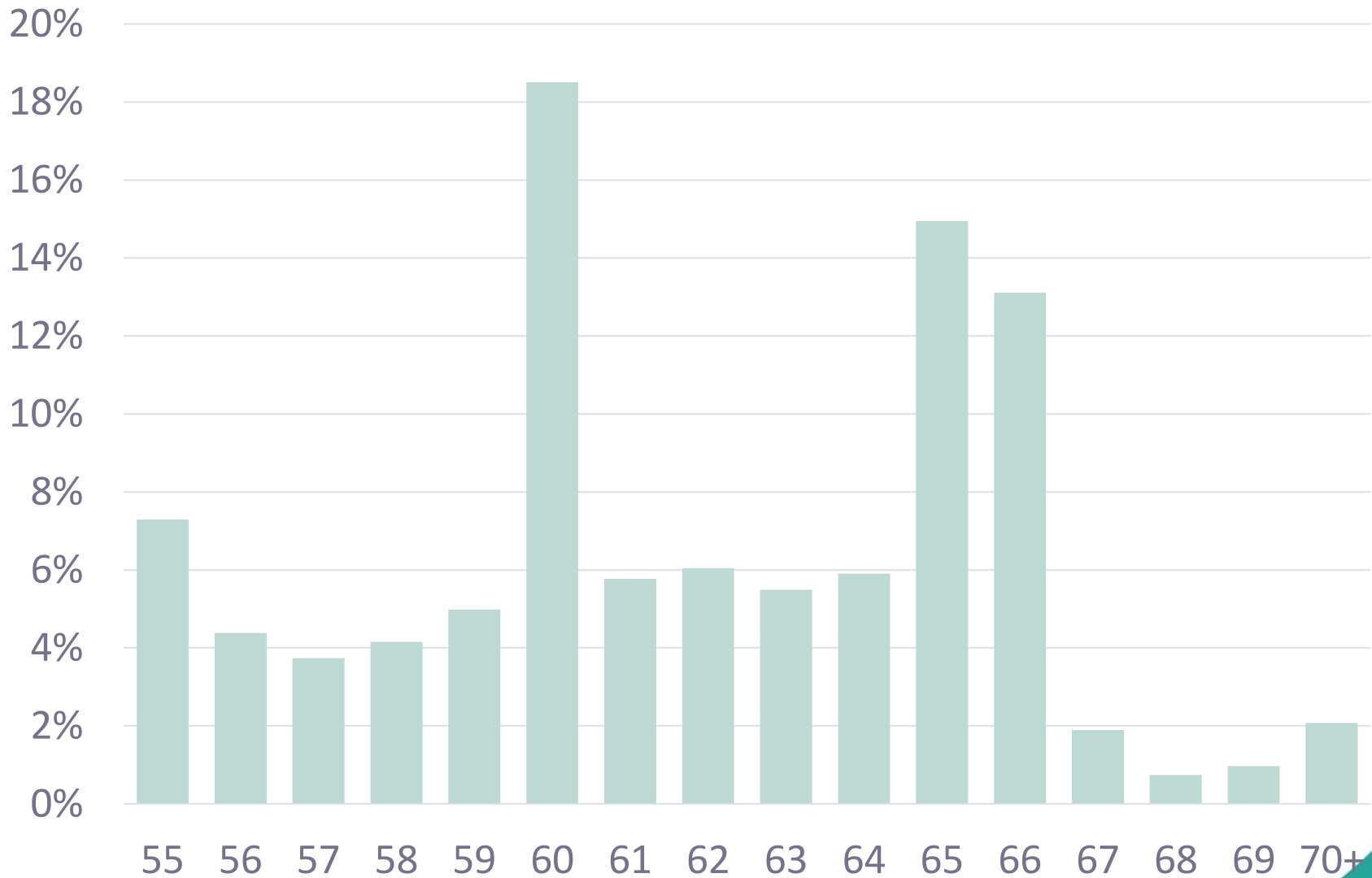


# Current Profile of Cumbria LGPS Membership

- 69% of active members are part time
- 82% of part time staff are females
- 31% work less than 18.5 hours / week
- The average pension in 2023/24 was c £4,500 pa
- Less than 1% of CLGPS pensioners have a pension of more than £30,000



# Age of Retirement



# Pensions Administration 2023/24 Performance

**Cumbria  
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- Payment of c. 20,000 pensions each month
- 1,355 scheme members put into pension
- Over 15,800 contacts with LPPA throughout the year – 96.7% of cases dealt within SLA performance target (up from 84.5% in 2022/23).
- Approx 1,000 calls a month to the LPPA Helpdesk



# Pensions Administration 2023/24 Performance

**Cumbria  
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- 25 virtual visits held with employers / payroll providers for one to one training
- 95 delegates represented employers at LPPA training events
- 169 scheme members attended training provided by LPPA (“Making sense of your pension” and “Making Sense of your Retirement”)



# Pensions Administration Performance

**Cumbria  
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- 98% Annual Benefit Statements issued to active and deferred scheme members by 31 August deadline
- Death grant nominations – more than 45% of members... but only 36% of active members
- PensionPoint sign ups – 36.2% of members (up from 29.6% at 31/3/2023)
- Active, Deferred and Pensioner annual newsletters issued during 2024



# Scheme Complexity

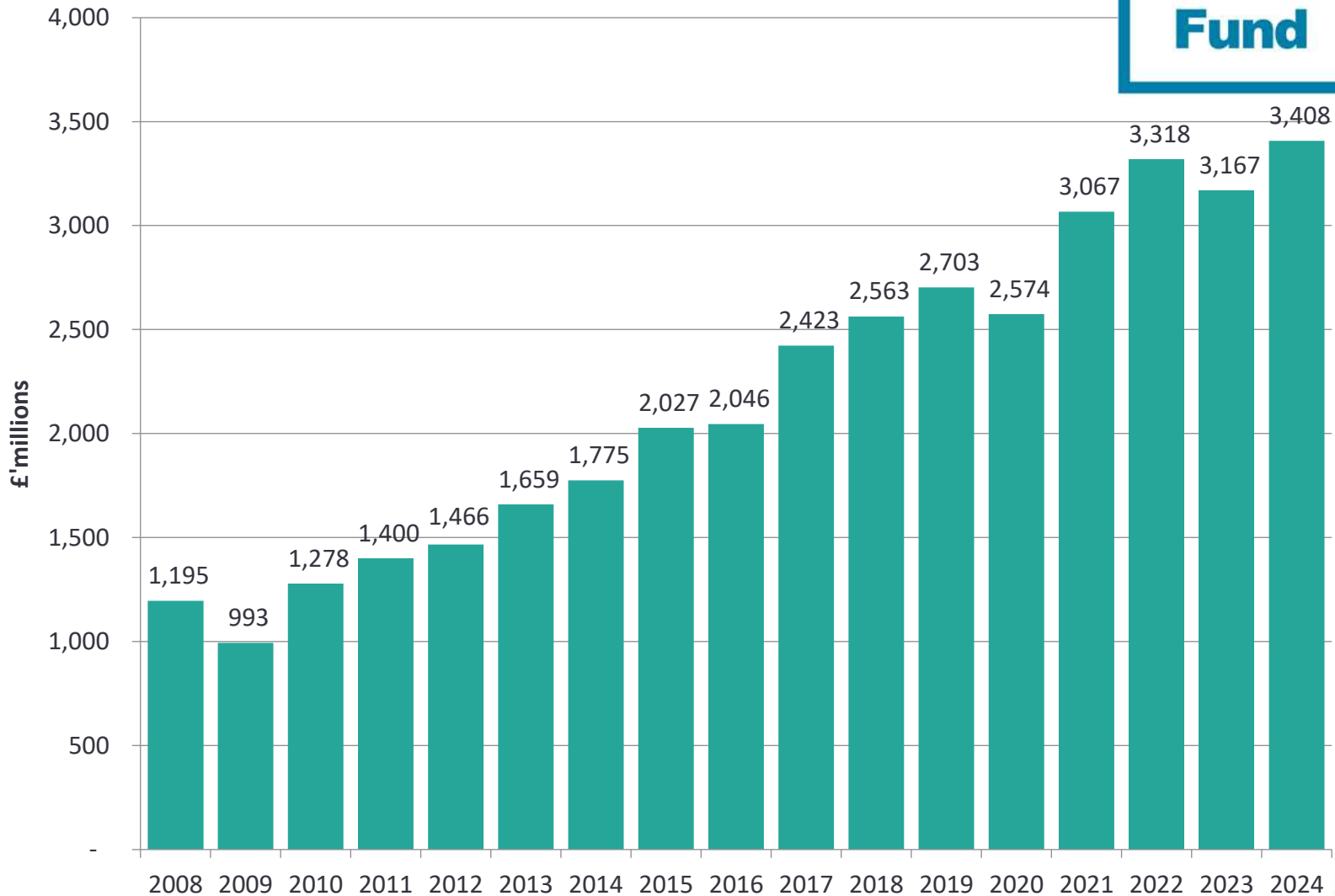


- More complex to administer
- More advice required to both
  - employers
  - members



# Value of the Fund's Assets

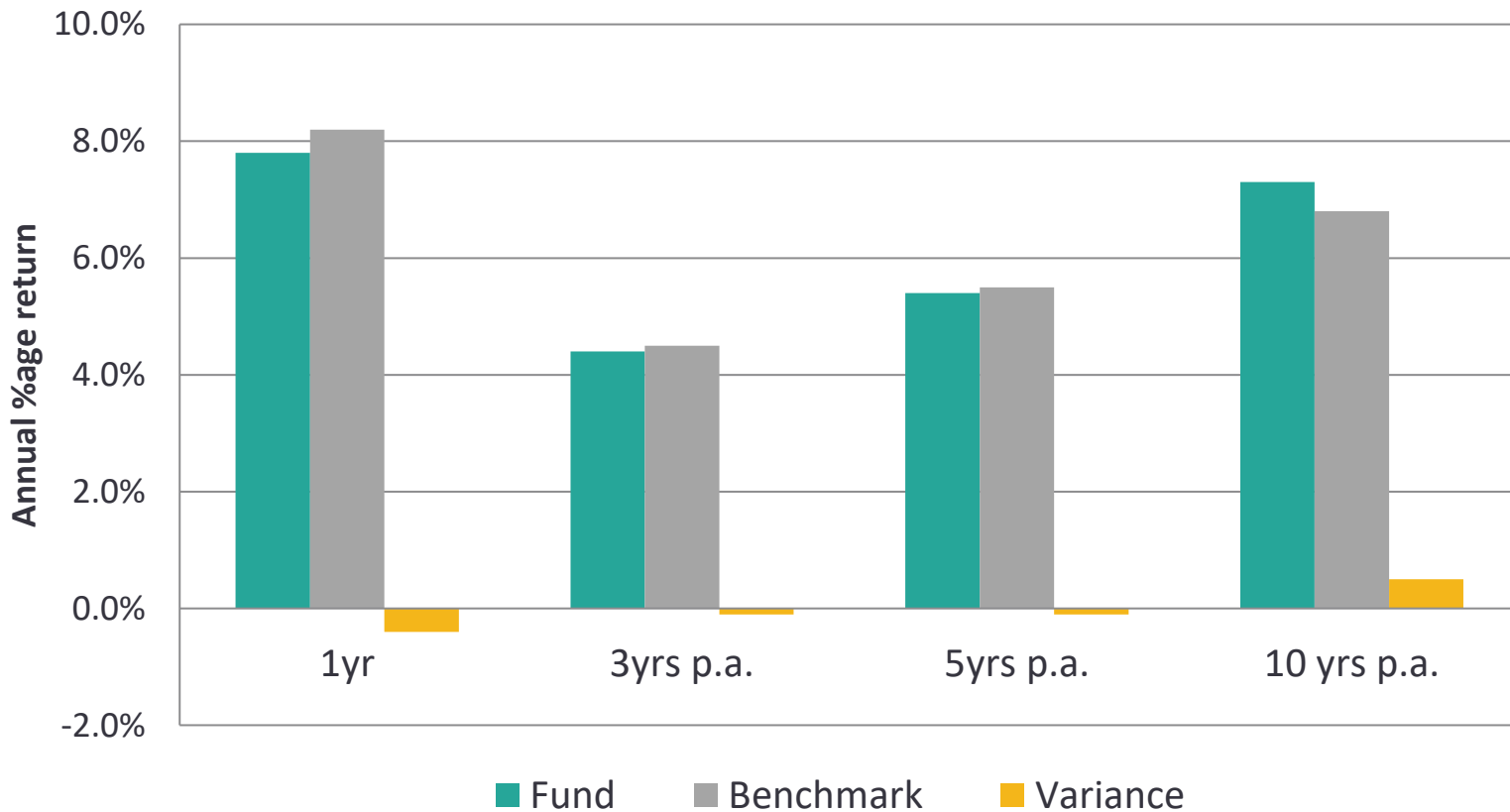
**Cumbria  
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# Annual Fund Investment Performance at 31 March 2024

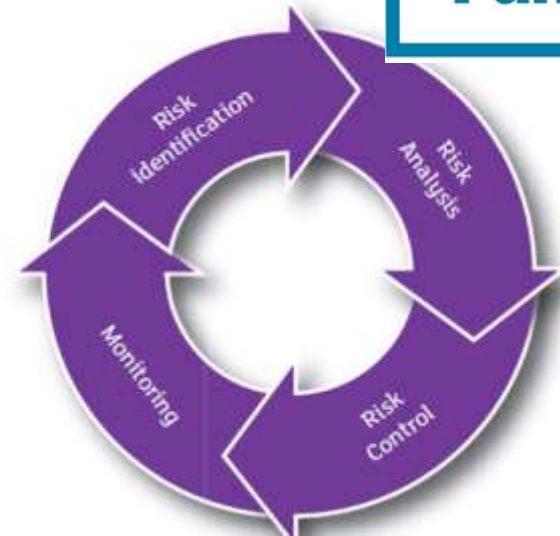
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# Investment Approach

## Cumbria Pension Fund

- Long term investor
- Diverse portfolio, e.g.
  - Various asset classes
  - Global investments
  - Public & private markets
- LGPS Investment Pooling
- Responsible asset owner
- Risk monitoring & management.



# How do we invest our members' £3.4 billion?

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# Successes & challenges over the past 12 months

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Investment  
Strategy Review  
& RI Policy

Supporting  
Performance  
Improvement  
Journey within  
LPPA

Employer  
Successes -  
Provision of  
Data

Review of Cyber  
Resilience within  
the Fund

Review of  
Compliance to  
Pensions  
Regulator's  
General Code of  
Practice



# Challenges and Opportunities over the next 12 months

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2025 Actuarial  
Valuation

Pensions  
Administration  
Performance

Pensions  
Dashboard  
Implementation

National  
Pensions Review  
and Regulatory  
Change

Development of  
Climate Change  
Policy

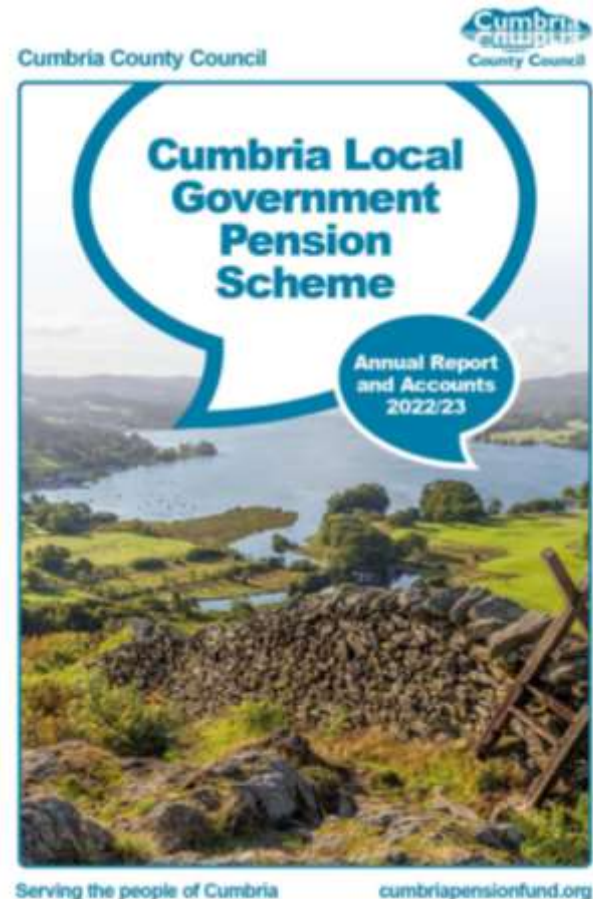
Review of AVC  
Provision



# Accounts and Annual Report

**Cumbria  
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- Pension Fund Accounts:
  - Available online in draft.
  - Will be included in unaudited format in the Annual Report
  - External audit currently underway.
- 2023/24 Pension Fund Annual Report:
  - To be published before 1 December.
- Available at:  
[cumbriapensionfund.org](http://cumbriapensionfund.org)





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# Employer Focus

Ally McGuinness, Finance Manager - Pensions

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[westmorlandandfurness.gov.uk](http://westmorlandandfurness.gov.uk)



# It's all about data

Why is good quality data important?

- To provide a high quality, accurate pension scheme for scheme members
- To comply with legal and regulatory obligations
- To reduce administration time
- Higher levels of process automation
- **To minimise costs for employers**





# 2025 Triennial Valuation

(New Employer contribution rates from 1 April 2026)

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The purpose of the valuation is to ***review the financial position of the Fund*** and to ***set employer contribution rates***, and is effectively the Fund's triennial budgeting exercise.

- The actuary estimates the amount of assets that will be required to meet the member benefit payments owed
- Then calculations are made to identify expected cost of member benefits for service before valuation date (past service) and after that date (future service)

# 2025 Triennial Valuation and data

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The valuation looks closely at each member's data, including their age, salary, service etc

So good quality data results in employer contribution rates that are as accurate as possible, and less estimation is required.



# Data cleansing by LPPA



- Data cleansing is taking place on the run up to the 2025 Valuation
- May result in more queries concerning leavers for you from LPPA
- Please try to promptly deal with any queries that are sent, and check the employer portal regularly
- Ensure that any leaver forms are submitted as quickly as possible to the employer portal, when employees have left your employment
- Please help your former employees have an accurate pension record



# Outsourcing Services and the LGPS



- Admission body status enables contractors who undertake services or functions for an LGPS Scheme employer (e.g. an Academy), to offer continued access to the LGPS during the period of the contract.
- This is a complex area and legal advice is essential for employers before taking this step.
- Here are some ways that the Fund and the Scheme employer can make the admission easier and quicker.



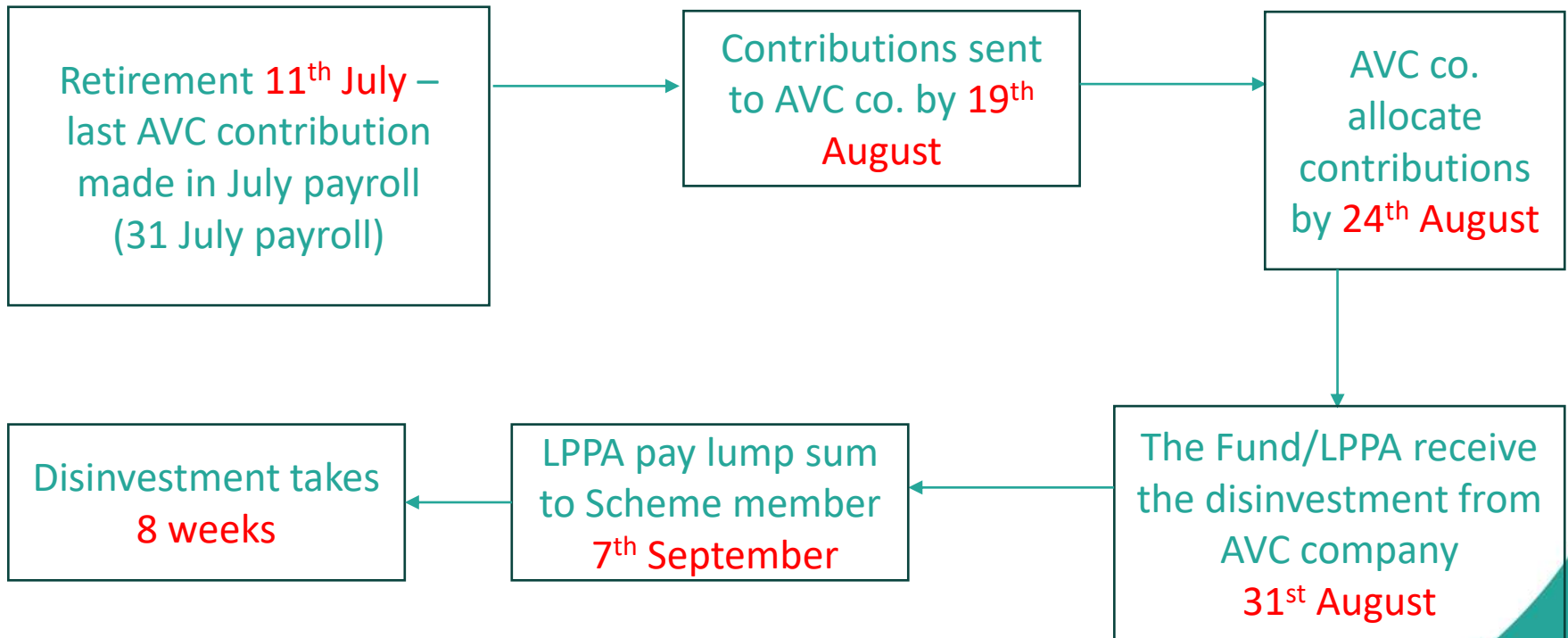
# Outsourcing Services and the LGPS

1. Try to give the Pension Fund as much notice as possible. Getting in touch at contract preparation stage is helpful.
2. Download the Fund's Admission & Terminations policy from the website ([www.cumbriapensionfund.org](http://www.cumbriapensionfund.org)). This gives information on options including Passthrough.
3. Think about how you wish to share the risk:
  - Contribution rate fluctuations
  - Termination deficits/surpluses
4. As Scheme employer you will need to act as guarantor in case of failure of the contractor.



# Additional Voluntary Contributions (AVC's)

AVC's can take a while to be disinvested when a member retires. It is helpful to remind members that it can take up to 8 weeks from their last monthly contribution, before a disinvestment is received by the Fund



Save the date:

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**2025 Pensions Forum:**

**20 November 2025**

including an update on the Actuarial Valuation and the chance to discuss employer contribution rates with the Actuary and Fund Officers.

November 2025						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						



# Any questions / comments or suggestions?



- Then please contact us at:  
[pensions@westmorlandandfurness.gov.uk](mailto:pensions@westmorlandandfurness.gov.uk)
- Visit our website: [www.cumbriapensionfund.org](http://www.cumbriapensionfund.org)
- Or for helpful employer FAQs and LPPA contact details, please see: [www.lppapensions.co.uk/contact/](http://www.lppapensions.co.uk/contact/)

